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Updates

American Re securitization offers quake, storm protection

PRINCETON, N.J.—American Re Securities Corp. has done a $182 million risk securitization to provide American Re Corp. reinsurance coverage against losses from Eastern or Gulf Coast hurricanes or Midwest or California earthquakes.

The issue was done as a private placement by Gold Eagle Capital Ltd., a Bermuda-based special purpose corporation, and includes three tranches. One is a $126.6 million note issue that exposes investors to the risk of losing one-third, two-thirds or all of

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Seattle, L.A. pass mandates on partner benefits

By ROBERTO CENICEROS

Los Angeles and Seattle are joining San Francisco in enacting an ordinance that requires private employers that contract with the cities to provide benefits to the domestic partners of workers.

Mayors in both cities quickly signed the ordinances after their city councils unanimously adopted them.

Unlike in San Francisco, though, which in 1996 became the first city to pass such a domestic partner benefit mandate, business organizations in Los Angeles and Seattle have not voiced opposition to the measures.

Meanwhile, two employers and an association representing them are continuing a legal challenge to San Francisco's ordinance. Yet United Airlines, one of the employers involved in that fight, now offers domestic partners of employees nationwide the same benefits as are available to employees' spouses, said a spokesman for the Washington-based Air Transport Assn.

Memphis, Tenn.-based Federal Express Corp., the other employer involved in the lawsuit, under court order provides limited domestic partner benefits but only at the San Francisco International Airport. Federal Express' offering is limited to bereavement leave for the death of a partner and discounted flights. It does not include health or pension benefits.

Two other major airlines, Fort Worth, Texas-based American Airlines and Arlington, Va.-based US Airways, said in August, just after United Airlines' announcement, that they would offer a complete array of health care and retirement benefits for domestic partners of all employees.

But United, Federal Express and the ATA are battling San Francisco in federal court to defend their right to operate airlines from city to city without being encumbered by local laws, the ATA spokesman said.

The airlines do not oppose domestic partner benefits because of moral or cost considerations, he added. In fact, studies by benefit consultants have shown that the costs associated with providing domestic partner benefits are insignificant because a very limited number of employees participate, the spokesman pointed out.

"It was not so much the domestic partner benefit issue as it was a local municipality, like San Francisco, stepping up and saying, 'We are going to dictate legislatively how the airlines will operate,' " the spokesman said.

In June, U.S. District Court Judge Claudia Wilken ruled that airlines landing at the San Francisco airport must provide certain

See **Partner** *on page 51*

N.Y. likely to revive expiring surcharge

By JERRY GEISEL

ALBANY, N.Y.—The fate of a controversial 1996 New York health care law that boosts employers' costs by hundreds of millions of dollars a year could be decided this month.

The New York Legislature is expected to hold a special session next week to consider proposals to revamp or just extend the law, which levies an 8.18% base surcharge on bills incurred in New York hospitals or laboratories.

The law, which otherwise will expire at the end of the month, also imposes an annual "covered lives" assessment on employers with employees living in New York, which can cost employers nearly $400 a year per employee—depending on where their employees reside. Revenues generated by the surcharges and covered-lives assessment are used, respectively, to offset the cost of indigent care provided by New York hospitals and to help fund graduate medical education in New York.

The passage of the law in 1996 caught employers nationwide by surprise (*BI*, Nov. 25, 1996).

That was because under the law any employer—not just those based in New York—faced surcharges that could be up to seven times higher than the basic 8.18% surcharge if they failed to meet a short deadline for filing paperwork in connection with the law. To avoid the higher charge, employers had to apply to pay the surcharge directly to a New York state pool, rather than have providers collect the charges and pass them on to the state.

Take the case, for example, of a Michigan company that had an employee who took a business trip to New York in 1998, got into an auto accident and was taken to a hospital in New York

See **Surcharge** *on page 55*

WTO pact opens door to China for U.S. insurers

By SALLY ROBERTS

BEIJING—Risk managers, brokers and insurers generally agree that the trade agreement paving the way for China's entry to the World Trade Organization may lead to a more open insurance market there.

Insurers, in particular, are enthusiastic about provisions that would make it easier to obtain licenses in China, especially because of its more than 1 billion potential policyholders. Brokers also welcome the U.S.-Chinese trade pact but are concerned that the agreement does not address restrictions on foreign brokers. Under Chinese law, no representative office of a foreign company can engage in insurance brokerage activities.

Risk managers with exposures in China are likely to see more insurance company and product choices as a result of the pact, though some are skeptical the deal will directly impact their insurance programs.

The trade agreement, reached Nov. 15 in Beijing, means that China now will receive U.S. support for its bid to enter the WTO in 2000. China also reached an accord with Canada and is negotiating a similar agreement with the European Union.

Under the U.S. accord, upon accession to the WTO, China, among other things, will:

- Permit foreign property/casualty insurers to insure large-scale risks throughout China. Foreign insurers' underwriting now is limited to Shanghai and Guangzhou.
- Expand the scope of coverages that foreign insurers can underwrite to include group health and

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Risk Management Systems/Online Resources

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NEWSPAPER

Hurricane activity may accelerate

Experts say windstorm risk management a continual process

By MARK A. HOFMANN

WASHINGTON—It's not over yet.

Even though 1999's hurricane season officially ended on Nov. 30, the United States has already "turned a corner" into what could be a 20- to 30-year period of greater-than-normal hurricane activity, warns Jerry Jarrell, director of the National Hurricane Center in Miami.

As a result, this year's unusually active hurricane season could well be repeated sooner rather than later, according to D. James Baker, administrator of the National Oceanic and Atmospheric Administration.

"We currently expect next season to be very much like this one," Mr. Baker said during a Washington press conference last week where he joined Mr. Jarrell and Jack Kelly, director of the National Weather Service, to assess this year's hurricane season.

The news conference also provided an official as-



cast. The forecast, which was issued last spring, called for a more active than normal storm season.

Updates

American Re issues cat bond

Continued from previous page

their principal, based on catastrophic events exceeding certain designated thresholds.

The two other tranches are a $50 million note issue and just under $5.5 million in Gold Eagle shares, each of which exposes all of the investors' principal to loss if a fourth loss level is exceeded.

Loss triggers are based on indexes of industry losses resulting from single catastrophic events in each of the three areas calculated by catastrophe modeling company Risk Management Solutions Inc. The indexes are determined following the occurrence of catastrophes of given severities, and if more than one catastrophic event should occur, only the event causing the largest industry loss would be used to determine investor losses. The risk period on the deal runs through March 31, 2001.

The deal's structure is an American Re Securities approach known as Modeled Index Linked Securities or ModILS. "We like the ModILS solution because it's easier to describe, easier to understand by investors and therefore easier to market," an American Re spokesman said.

ACE Bermuda shuffles execs

HAMILTON, Bermuda—ACE Bermuda Insurance Ltd. is restructuring senior management to take advantage of parent ACE Ltd.'s global expansion, including its acquisition of CIGNA Corp.'s property/casualty operations earlier this year.

The changes, effective last week, include the following:

- Mark Herman, senior vp-professional lines, will also take over ACE Bermuda's excess liability division.
- Senior Vp Patrick Mitchell, formerly in charge of excess liability, will take on the new role of reinsurance coordinator for assumed and ceded reinsurance.
- Executive Vp Larry Lombardo will take the new position of executive customer relations.
- Roger Gillett, senior vp-business development, will assume responsibility for creating and managing a new captive operation.
- Andy Gibbs, chief financial officer, will assume the added and newly created title of chief operating officer.

Separately, ACE subsidiary Tempest Reinsurance Co. Ltd. has named Jacques Q. Bonneau to head its planned expansion into the U.S. reinsurance market. Mr. Bonneau will be responsible for developing a business plan and recruiting core staff. Most recently, he was senior executive vp and chief underwriting officer of Chartwell Re Corp.

Texas firm acquiring EQE

HOUSTON—EQE International Inc. will become part of ABS Group of Cos. Inc. in a buyout expected to be completed early next month.

Services provided by Oakland, Calif.-based EQE include catastrophe risk management consulting, engineering and modeling. Its clients include insurers, utilities, high-tech businesses and energy companies.

"The acquisition of EQE will enhance ABS Group's ability to respond to the growing need of our clients to identify, assess and mitigate operational and environmental risks," said ABS Group Chairman and Chief Executive Officer Frank J. Iarossi in a statement announcing the deal, the terms of which were not disclosed.

A spokesman for Houston-based ABS Group said EQE will operate as a stand-alone organization that will assume responsibility for the group's "existing risk and reliability services."

The acquisition is part of an aggressive strategy by ABS Group to expand its worldwide risk management services. The group, which provides safety, risk management and environmental management services, has doubled its size in the past year through rapid growth and acquisitions.

Ahlmann joins E.W. Blanch

DALLAS—Kaj Ahlmann, who was formerly chairman, president and chief executive officer of Overland Park, Kan.-based Employers Reinsurance Corp., has been named vice chairman of Dallas-based reinsurance intermediary E.W. Blanch Holdings Inc.

Mr. Ahlmann, who was also named an executive officer and a member of Blanch's board of directors, left ERC in July after he was moved out of the top spot at ERC and named a senior vp of GE Capital Services, the reinsurer's parent company. Mr. Ahlmann had spent the past 12 years with ERC, the last six in the top position.

Ian D. Packer, Blanch's executive vp and chief financial officer, said Mr. Ahlmann, who brings a wealth of knowledge and international and national contacts to his position, will develop working relationships with the reinsurance market and Blanch clients. He will also help Blanch "pursue a pretty exciting agenda of change," Mr. Packer said.

BF&M settles lawsuit

HAMILTON, Bermuda—Liquidators of Bermuda Fire & Marine Insurance Co. Ltd. have settled a long-running dispute with a profitable offshoot of the insurer for $35 million and 1 million share options.

The out-of-court settlement with BF&M Ltd. ends a six-month trial in Bermuda. That trial centered on disputes over the splitting up of Bermuda Fire's business two years before the insurer went into liquidation. Settlements, which were not disclosed, were also reached with other defendants, including former directors and advisers of Bermuda Fire.

The settlement with BF&M Ltd. is subject to shareholder approval at a meeting on Dec. 14.

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Errors & omissions

- Due to a production error, the Nov. 22 issue mislabeled an Employee Benefits Communication Award category. The State of Georgia won a Best of Show award for its audiovisual program.

Maryland court restricts design defect claims

By DAVE LENCKUS

ANNAPOLIS, Md.—Defendants in lawsuits alleging product design defects are expected to press courts to hold plaintiffs to the same strict evidentiary standard that a Maryland appellate court applied in a recent ruling.

In its 2-1 decision, the court on Nov. 4 ruled that the defendant in a vehicle design defect case could not be held liable even if a safer design were available to the manufacturer when it made its product. The court ruled that the plaintiff also should have shown that the manufacturer could have made the product using the alternative design and that the safer product would have been affordable to consumers.

"I find this to be a pretty disturbing opinion, because from my view there was evidence from which a jury could determine that an alternate design could have been used without an unreasonable expense to the manufacturer," said plaintiff attorney Paul D. Bekman, who was not involved in the case. Mr. Bekman, a partner with Israelson, Salsbury, Clements & Bekman L.L.C. in Baltimore, is a past president of both the Maryland Trial Lawyers Assn. and the Maryland State Bar Assn.

The decision, which overturned a $4 million jury verdict against Nissan Motor Co., could influence courts in other states, many of which have product liability evidence laws similar to Maryland's law. Some attorneys say that defense attorneys likely will be eager to cite the Maryland case in other jurisdictions because most courts elsewhere have not outlined in as extensive detail all of the hurdles that plaintiffs must clear to prove a product design defect claim.

But a prominent product liability expert said the ruling is the latest in a 10-year trend in design defect cases.

Many courts during that period have strongly weighed the feasibility—not just the availability—of alternative product designs, according to defense attorney Victor Schwartz, general counsel of the American Tort Reform Assn. in Washington.

Still, the ruling by the Maryland Court of Special Appeals is significant, said Mr. Schwartz, a senior partner with Crowell & Moring L.L.P. in Washington. The case clearly demonstrates why the latest restatement of torts has adopted this evidence standard for design defect lawsuits, he said. The

See **Maryland** *on page 54*

Rate firming won't help until 2000

P/C outlook remains poor

By JUDY GREENWALD

The commercial property/casualty insurance industry's short-term financial prospects appear dim, despite growing momentum for firmer rates.

Insurers first must contend with the lag between the time when any rate hikes are introduced and when they are reflected in financial reports, analysts say.

Many analysts also question whether the limited rate hikes introduced so far will be sufficient to offset poor underwriting results, particularly in light of a widely expected need for additional reserve boosts.

Meanwhile, poor operating fundamentals on top of catastrophe losses and reserve increases meant that just five of the 17 insurers surveyed by *Business Insurance* that report this data had improved profits for the nine months ending Sept. 30. Overall, the 17 insurers had a 1.6% decline.

Poor results also have hurt insurers' stock this year.

"I think, at this point, the group is so wrung out I just wonder if there's any more downside to come," said Michael Lewis, senior insurance analyst with Warburg Dillon Read in New York.

"Between poor earnings, rising interest rates, reserve deficiencies, absence of new consolidation activity and Y2K staring you in the face, where's the good times?" asked Mr. Lewis.

"Things are getting so bad, there has to be a lot more discretion shown by the industry as far as underwriting standards go," he said.

See **P/C results** *on page 42*

INSURER RESULTS
9 month

Generali to close U.S. branch

NEW YORK—A.M. Best Co. has placed the A rating of Assicurazioni Generali S.p.A.'s U.S. branch under review after the insurer's decision to discontinue U.S. property/casualty underwriting.

In August, Generali-U.S. Branch issued termination notices to the exclusive managing general agents that produce its business. Under their contracts, the MGAs will continue writing new and renewal policies until the expiration of varying termination periods, after which no further business will be written and all existing business will be placed in runoff.

Generali-U.S. Branch expects to enter full runoff on its direct insurance book by August 2000 and on its smaller assumed treaty reinsurance book by September 2000, said Christopher Carnicelli, general counsel. Both books consist mainly of substandard auto and small commercial package business, with direct written premiums totaling about $120 million and assumed reinsurance premiums about $40 million last year, he said.

"Generali is reviewing its position worldwide and made a strategic decision, based on the size of the property/casualty (portfolio) written out of the U.S. branch, that they no longer wanted to pursue it," Mr. Carnicelli said.

In preparation for the runoff, Generali is increasing its underwriting, claims and financial audits of its MGAs and is considering transferring or novating its insurance and reinsurance obligations to its U.K. branch. Generali is also working with the New York Insurance Department to ensure that its runoff plan is "satisfactory," the company said.

Best placed Generali-U.S. Branch's rating under review while it assesses the runoff plan.

The action does not affect Best's A rating of Business Men's Assurance Co. of America, Generali's U.S. life insurance unit, which is not involved in the runoff plan.

—By Douglas McLeod

Inside

- New York lawmakers should let expire, or significantly revise, the state's onerous health care surcharge, this week's editorial says. **PAGE 8**
- Coverage of the World Captive and Alternative Risk Financing Forum begins on **PAGE 36**
- The owner of the Norwegian ferry Sleipner, which sank after running aground and killed 16 people, is insured for the disaster. **PAGE 47**

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RMIS users eager for systems to make a leap to Internet

By AMANDA MILLIGAN

Fueled by the promise of seemingly infinite potential, risk managers are eager to harness the latest Internet technology in the hopes of revolutionizing older risk and claims management systems.

But those shopping for a risk management information system in today's market, will, in general, find few radical departures from traditional options. Rather, most current RMIS products are hybrid technologies that fuse the mature client/server technologies with more novel Internet applications.

David Tweedy, a former independent risk management consultant who now works as a national insurance principal for IBM Global Services in Barrington, R.I., describes today's RMIS market as "a smorgasbord" of products.

Among larger companies, Mr. Tweedy estimates that about 75% of risk managers are using a system with some type of Internet application. "I can't see how a risk manager can do his or her job without some kind of capability in that area," Mr. Tweedy said.

Risk managers today want the ability to access information as quickly as possible, said Ronald Komas, vp of risk management for Kohl's Department Stores Inc. in Menomonee Falls, Wis.

"I think the Internet is definitely the wave of the future. Where it's going to be down the road is anybody's guess," he said. Mr. Komas, who has been using a RMIS from Liberty Mutual's RiskTrac subsidiary for seven years, became Internet enabled in the past six months.

Risk management information systems have gone through two phases in their development, said George Netherton, chairman of Risk Laboratories L.L.C. in Marietta, Ga. The first systems, mainframe computers, eventually gave way to the client/server technology, which could link various workstations through a network. Now, he says, the next technological wave is building up to systems that are totally Internet based and are not reliant on older technology to coordinate risk data.

"RMIS are going into a third stage of technology," said Mr. Netherton. "Two years from now,

See **Internet** *on next page*

Several groups aim to develop risk data standards

By DAVE LENCKUS

Few experts on risk management information systems expect that the industry will adopt a data standard soon, but the head of a risk management study group says the next best thing is possible by midyear 2000.

By year's end, a Risk & Insurance Management Society Inc. task group plans to begin seeking support from insurers and third-party administrators for making certain claims and loss data from their unique systems available in a standard format.

This plan would not require insurers and TPAs to agree to a data standard that would force them to change how they collect and organize the data in their systems. Instead, the RIMS group will ask insurers and TPAs to participate in the much less costly effort of culling data from their respective databases and making one more data reporting format available to their clients, explained Chris Duncan, a risk manager who is spearheading the effort.

In the meantime, other efforts are underway to drive the industry toward some semblance of data standardization. Among the groups heading those campaigns are a group of employers with large workers compensation exposures and the Public Risk Database Project.

Today, a group of large employers, insurers, TPAs and brokers kicks off a two-day meeting on how to adopt a data standard. The group's goal is comparable to that of the RIMS task group.



This month, the Columbia, Md.-based PRDP plans to unveil its general liability data standard for public entities. A PRDP official envisions risk managers in the private sector also using the standard, though admittedly with some limitations.

Risk managers have been hoping for a data standard for years so they can be assured of having clean data over time to measure, for example, loss trends and cost of risk.

Without such a standard, insurers, TPAs and risk managers define data in different ways. For example, some insurers and TPAs reflect paid claims in "reserves," while others do not. Likewise, some include attorneys fees in claims payments, while others do not.

Compounding the problem is that risk managers typically use several insurers. As a result, risk managers find that a single data element may be defined in numerous ways by their insurers.

In addition, if risk managers change RMIS vendors when upgrading their information systems, the two systems likely will not interpret data similarly. Risk managers will need to work with the vendors to map the data—or help the new system recognize and accurately interpret the data from the prior system.

The data conversion process adds to the cost of the new system and requires risk managers to devote a lot of time to help vendors map the data.

Data definition discrepancies can be expensive for risk managers not only in terms of money and time, but also in lost data analysis opportunities.

Because of the data "Tower of Babel" created by the lack of a standard, risk managers also have a difficult time benchmarking with one another, noted Mr. Duncan, who is director of risk management and insurance at Delta Air Lines Inc. in Atlanta.

"Everything drives off of having good, clean, consistent data over time," he said.

Outweighing the demand for a data standard until now has been the difficulty of moving the various insurers and RMIS vendors with stakes in the process to agree on a single set of definitions for data.

Data standards have been implemented in other industries, however. Perhaps the most notable example is the financial services industry, where data standards have, for example, allowed bank customers to access cash from various automated teller machines nationwide. Retailers and gas stations can use the same type of electronic

See **Standard** *on page 20*

InQuisLogic on hold as XL refocuses enterprise risk tool

By ROBERTO CENICEROS

InQuisLogic drew much attention last spring when it announced it would soon be marketing a new information system designed to help risk managers identify and manage enterprise risk.

Potential financial partners and participants in the project—including International Business Machines Corp. and Aon Corp.—had been lined up to help deliver the system and potentially create a new parent company for Stamford, Conn.-based InQuisLogic, a unit of XL Capital Ltd.

To date, however, IQL has not delivered a final product, and whether such a system will ever be provided by the company remains in question.

IQL is now regrouping and focusing on the development of a system for in-house use by XL Capital units, said Richard R. Morano, interim president of IQL and president and chief executive officer of Global Services, a support services unit of XL Capital. Several issues must still be resolved before an in-house system is completed, Mr. Morano said.

Additionally, the effort to bring in outside investors has been put on hold, he said.

IQL's yet-to-be-developed risk management information system was supposed to allow users to tap a huge database addressing the entire spectrum of enterprise risk. More than 180 enterprise risks have been catalogued, ranging from fire to litigation to interest rate fluctuation risks. The database was to provide users with information on the best practices in controlling those risks, as well as measures that have failed for risk managers.

The IQL enterprise risk management information system arose from a concept developed for Microsoft Corp. by the software giant's former risk manager, Scott Lange. Microsoft decided to wait for outside development of the product before implementing it itself, and XL took over the development. XL now owns a copyright to the system's structure, Mr. Morano said.

Mr. Lange left Microsoft in December 1998 and assumed the role of chief knowledge officer for IQL. He remains on IQL's payroll, but IQL is in the midst of reviewing who will be assigned to the product's continued development and in what capacity, Mr. Morano

See **IQL** *on page 18*



Internet

Continued from previous page
I don't think anybody will be using client/server technology."

Alan B. Cantor, president of Cantor & Co., a risk management consulting firm in Beverly Hills, Calif., shares that sentiment.

In the not-so-distant future, Mr. Cantor forecasts that the client/server technology will be challenged by solutions that may come from outside the traditional sphere of risk management. Some RMIS vendors will find themselves in direct competition with other types of vendors, he said.

"Someone who is already playing in cyberspace, but not necessarily (in) risk management, may drive the emergence of a new risk management system," he said.

Risk managers shopping for a new RMIS consider Web enablement essential, said Anita Schoenfeld, a senior consultant in the RMIS consulting support practice for Tillinghast-Towers Perrin in Dallas.

The most common use of Web technology in RMIS systems is to provide a way to access the traditional client/server technology, said Ms. Schoenfeld.

Describing this type of RMIS as an "electronic environment," she said risk managers can run and post reports to an area that looks like a Web site using the information stored in the client/server system.

"It improves communications, supports loss control efforts. . . .(is) more thorough and easier" and gives users more control over safety efforts and costs, Ms. Schoenfeld said.

Mr. Cantor, discussing the use of Web-driven RMIS, said, "If you have high-speed (Internet) access, it's really quite wonderful."

The Internet also offers RMIS users much more flexibility, he said

"When you have a non-Internet based system, you're really much more limited in the number of people who can realistically use it concurrently," said Mr. Cantor.

RiskFolio, an RMIS product designed by Risk Laboratories, combines client/server technology with the ease of electronic communications. By late 2000, Mr. Netherton anticipates that all aspects of the RMIS will be Web-driven

"What has always been the Achilles heel of risk management is communication," said Mr. Netherton, who himself is the former director of risk management for The Coca-Cola Co. in Atlanta. "The Internet provides a wonderful tool for the risk manager to finally be able to communicate."

RiskFolio can collect incident and exposure data electronically, and will alert a risk manager if an incoming claim meets certain criteria set by the risk manager. It can also communicate with outside parties and distribute reports electronically.

Scott Crowley, director of risk management for Hudson's Bay Co., a discount and department store retailer in Toronto, has been using RiskFolio since mid-October. He said the system enables the 600 individual Hudson's Bay stores to use the Internet to enter their own claims, which can, in turn, be viewed immediately by the risk management department. Each store can also use this data to enhance loss control measures, he said.

"We wanted to better manage our risks and have a platform that other departments could use to manage their exposures themselves," said Mr. Crowley.

Mr. Crowley did not wish to disclose the cost of the system, but he said it is "pretty comparable" to other systems in the marketplace today.

RiskFolio's cost, Mr. Netherton said, depends on the individual client's needs. But as the technology improves, it likely will become less expensive, he added.

Mark Catapano, director of sales and marketing for RiskTrac Inc., in Portsmouth, N.H., said his company has a suite of 10 RMIS products, both client/server- and Web-based. RiskTrac is working on moving all of the products to the Web, he said.

"The risk management community is living through this transition to the Web products with us," said Mr. Catapano. "The technology of the Internet really sets the stage for them to have seven-by-24 access."

In addition to enhancing availability to the system, moving from a client/server platform to an Internet-driven application would reduce the need for dedicated modems and other computer equipment, Mr. Catapano said. This, paired with a reduced administrative burden, is where the cost savings of Web-driven systems lie.

"There are hidden costs in the client/server world that are not obvious," said Mr. Catapano. A Web-driven system, he added, is not "necessarily less costly to implement, but over time, it's easier to maintain."

Although risk managers are not yet explicitly asking for this, Mr. Catapano said "the next real wave in this technology is going to be around bandwidth." Greater bandwidth would speed the transmission of large volumes of data, and data would be less susceptible to breaches of security, he said.

The Internet is ideal for extending the reach of an RMIS into locations that might not otherwise be linked with the rest of the corporation's systems, said Mark Dorn, president of Livonia, Mich.-based DORN Technology Group Inc. and vp of DORN's parent company, Policy Management Systems Corp.

Al Hatten, executive director of the Washington State Transit Insurance Pool in Olympia, Wash., operates an RMIS for a consortium of 14 public transit systems throughout the state with just four full-time employees.

"We needed an effective way of communicating and receiving information," said Mr. Hatten.

After evaluating and assessing the enormous potential of the Internet, Mr. Hatten said the pool had to undergo a change in philosophy.

"Typically, the use of computers was referred to as a resource or tool," said Mr. Hatten. "We have changed it to a philosophy of a partnership" with the technology, he said.

"We don't see it as a physically depreciating capital asset," but rather one that appreciates with improvements, he continued.

The pool's system, which is a DORN product, gives each of the affiliated transit systems access through a browser. Although the system looks like an Internet site, the Internet connection simply acts as a gateway to the traditional client/server product that resides beneath it.

After 11 months of using the Internet to access the RMIS, the pool has experienced some frustration. While the Internet does give them access to the RMIS, the speed of the system is slow, Mr. Hatten said, due in part to the popularity of the Internet and increased traffic.

"Until we go through the next hurdle and get into the higher speed, there are always going to be some limitations," he said, noting that eventually, the pool hopes to equip each transit system with the tools to transmit its own claims information electronically. Currently, each system can add its own notes to claims filings.

See **Internet** *on page 6*





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Internet

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Despite the system's slow speed, Mr. Hatten has been very pleased with its cost. If the pool did not use the RMIS, it would have needed to hire additional staff to help with the administrative workload.

"In the long run, it's less of a cost than bringing on another person full time," Mr. Hatten said.

Reliance Insurance Co. offers its RMIS as a value-added service to its policyholders, said John Gribbin, senior vp of the large accounts division in Philadelphia.

Recently, the company gave all of its clients, agents and brokers access to Insight RMS, an Internet-based risk management system.

Insight RMS allows users to view loss experience in real-time, monitor reserve changes, view claims-payment history and examine adjuster notes, said Mr. Gribbin.

"The information is readily available, but it's an interactive system," said Mr. Gribbin, noting that users can directly e-mail the claims coordinator or the adjuster. "There's nothing in that claim file that we know that our client doesn't," he said.

Although it does not have its own RMIS anymore, Willis Corp. does assist its clients in evaluating the systems in the market, said David Hanson, senior vp of RMIS and loss control for Willis in New York, a subsidiary of Willis Group Ltd.

One bit of advice Mr. Hanson said he offers clients is to use their insurer's system.

"You cannot get more accurate data than that coming from the source," said Mr. Hanson. "If you want to manage your claims, you've got to know about them" on a timely basis. "In most cases, you can't get that instant notification of claims using a third party."

For Alan Berdal, safety and loss control manager for Moll Industries Inc., a plastic products manufacturer in Knoxville, Tenn., Reliance's system has been very helpful.

Instant daily updates of information allow Mr. Berdal to track claims coming from each of Moll's 17 locations. "I don't always get the information from the location, but I am able to look it up on the system," he said. "Sometimes I can look up information before they're in the office."

STARSWeb is a Web-enabled system that operates as a companion product to the traditional client/server technology, said Patrick O'Neill, STARS sales manager and a senior vp for Marsh Inc. in Atlanta. STARS is sold by Risk Management Technologies, an operating unit of Marsh Inc.

STARSWeb allows risk managers to search and view claims using either an intranet or the Internet. The system also allows electronic claims reporting.

Plans are in the works to move all of the STARS products to the Web, said Steve Fischer, STARS development manager and senior vp for Marsh Inc. in New York.

Although the Web may present new opportunities for RMIS users, Mr. Fischer said there are disadvantages to departing from the client/server approach.

In general, Mr. Fischer said, the disadvantage of Web-based RMIS today is that "you can do more interesting and more creative user interfaces through Windows (software) right now. . .though this technology on the Web is getting better and better."

Because of this limitation, now may not be the right time for all risk managers to use fully Web-driven systems, Mr. O'Neill said. Instead, he recommends using the client/server technology coupled with the Internet for communicating information.

"The Web is still a maturing technology," said Mr. Fischer. "And it still has a ways to go."

Others say the Web is already capable of greater things than simply supporting client/server software.

Purely Web-driven systems, those with no applications or hardware on the client's desktop, are cutting-edge among RMIS today, Tillinghast's Ms. Schoenfeld said.

One example of this type of technology is Amarillo, Texas-based Corporate Systems Inc., she said, which calls itself an "application service provider."

As an ASP, Corporate Systems hosts the RMIS application for clients, who don't purchase any software but access it via a browser for a monthly fee, explained Marc Sollosy, vp and chief information officer for Corporate Systems. Corporate Systems servers host 2 million to 3 million transactions per day, he noted.

"Organizations are deeming that it is no longer necessary or economically viable to purchase and maintain and support a business application," said Mr. Sollosy. "Client/server (technology) did not deliver everything it promised to deliver." It was expensive to maintain, it strained company system infrastructures, and it was challenging for companies to attract and retain information services support, he said.

One tremendous advantage of Web-based systems is that a risk manager needn't worry about hardware becoming obsolete, she said, and the only application needed to access the RMIS is a Web browser.

The downside, Ms. Schoenfeld said, may be costs due to upgrades, maintenance to the system and individualized client needs.

"The cost is really all over the place," she said. "With the increased cost for the Internet solutions, there is a reduction of headaches and maybe less cost for internal staff (support). It's a good solution and may be the future for a good number of companies."

Security is a major concern for the users of any RMIS that incorporates Web technology, industry observers say.

At Moll Industries, Mr. Berdal said he is the only person who has access to the RMIS. He runs monthly reports for key personnel, which he either sends in hard copy or electronically.

Having assurances that the system is thoroughly secure helps, said Kohl's Mr. Komas.

"Let's face it—there's a lot of hesitancy on the part of companies because of the security of the information," he said, noting that in addition to claims data concerns, companies are also transmitting personal medical information. "I think it's really at the beginning stages. You have to feel very comfortable that your company is secured."

While some risk managers and RMIS vendors are making extraordinary efforts to protect sensitive information from outside corruption, Mr. Sollosy said a larger problem is corruption from inside the organization, such as from a disgruntled employee.

"There is very little security breach (from the outside)," said Mr. Sollosy. "Who wants the information, and what would they do with it?" BI

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Opinions

New York surcharge unjust

WHEN NEW YORK LEGISLATORS return to Albany next week for a special session, we urge them to let expire or at least revamp a controversial health care surcharge law that is unfair and costly to employers.

So far, only the state Assembly has acted. This summer it passed legislation that would make only modest changes to the 1996 law that adds hundreds of millions of dollars of costs to employers' health care bills. The state Senate and Gov. George Pataki have yet to weigh in, however, with their own proposals on the surcharge law, which is set to expire at year end.

Employers should be lobbying New York lawmakers to let the surcharge expire.

The 3-year-old law levies an 8.18% base surcharge on bills incurred in New York hospitals and laboratories. That amount can climb as high as 57%, though, for employers that do not meet various administrative requirements under the law. The law also hits employers with an assessment based on the number of "covered lives" an employer has in New York and where they reside.

New York employers aren't the only organizations impacted by the law. The surcharge also applies to bills paid by employers outside the Empire State when their employees receive hospital care in New York. That provision is so broad that it even applies, for instance, to an out-of-state employee seeking emergency treatment while injured in New York on a business trip or vacation.

To be sure, revenues generated by the surcharges and assessments are used for worthy purposes: offsetting the cost of charity care provided to the indigent by hospitals and subsidizing the cost of graduate medical training.

But we hardly think it is fair that employers should bear the brunt of those expenses. In effect, the law means that employers pay for health care in New York twice: once for their own employees through health insurance premiums and claims costs; and again for the cost of caring for the indigent through the surcharges.



The problem of providing health care for the indigent should not be disproportionately borne by any one group; it is a societal problem. Basic fairness would dictate that funding that care should not fall on employers already providing coverage to their own employees.

A much fairer approach would be to fund such programs from a broader-based revenue source, such as a sales tax.

Legislators should be reminded that offering health care coverage is a voluntary decision by employers. Increasing the cost of that coverage will make employers, especially smaller companies, more reluctant to offer such plans to their employees.

If that happens, New York could see an increase in the number of uninsured, which is, we believe, the last thing legislators would want to happen.

Letters

NAIC must act on producer licensing

To the editor: As the clock on the uniform agent licensing issue winds down, the insurance industry must play the role of the white rabbit in Alice in Wonderland and warn state regulators that "it's later than you think."

Unless commissioners act soon to approve the Producer Licensing Model Act, the Queen of Hearts (also known as the U.S. Congress), will happily march through the ranks of state regulators in an attempt to shatter the walls of state regulation of insurance.

But let's begin at the beginning. This week in San Francisco, The National Assn. of Insurance Commissioners was expected to adopt the Producer Licensing Model Act, a major step toward the modernization of state regulation. But in the past few weeks several concerns about the model have been raised by both commissioners and the industry. Now, there is doubt that adoption will take place at this meeting.

Of primary concern to commissioners are inconsistencies between the model and the NARAB provisions of S. 900, the financial services modernization legislation recently signed by the president.

This federal mandate requires states to establish guidelines for agent licensing that are uniform or reciprocal. The NARAB provisions require states to pass uniform or reciprocal licensing legislation within three years. Should states fail to enact such laws, the federal government will get involved in agent licensing.

The NAIC has spent more than two years wrestling with this issue.

The National Assn. of Independent Insurers and its 650 member companies commend commissioners for the thoroughness of this effort, and want regulators to know that we will assist in any way we can to support them in their fight to preserve state regulation.

But the NAII believes that further postponement of adoption of the model act will only invite federal regulators to use S. 900 as an excuse to undermine state regulation. The NAII urges the NAIC to pursue a speedy resolution to the concerns regarding this model and adoption of the Act so that state legislatures can propose and pass it in the Year 2000.

Without quick action, states may find it difficult to pass meaningful agent licensing legislation within the three-year deadline. The NAII believes the model is critical to preserving state regulation of agent licensing.

Insurers and commissioners agree that several key concerns need to be addressed before the model act can be adopted:

€First, the NAII recommends that regulators quickly analyze NARAB provisions and the NAIC model and correct any inconsisten-

See **NAII** on page 44

Quality scorecard lacked objective benchmarks

To the editor: As a participant in the Risk & Insurance Management Society's panel discussion regarding Quality in the Insurance Industry last month (*BI*, Oct. 25), it appeared to me there was consensus that the Quality Scorecard criteria were too subjective as respects insurers and brokers.

Beauty is in the eye of the beholder. Quality service, by its very nature, is intangible and is also in the eye of the beholder. Everyone's perception of quality service therefore is subjective. In preparation for the forum, I prepared a list of what I thought might provide a less subjective way of evaluating insurers and brokers. Due to time limitations, I was unable to address them during the Quality Forum. In essence, what I wanted to describe were standards of performance that the benchmark insurance company and broker might possess.

Standards for the benchmark primary insurer:

1. Financial stability (including that of the reinsurers used by the primary insurer).
2. Competitive pricing.
3. Quick responses to requests.
4. Proper use of voice mail (a live voice and then the option of leaving a recorded message, if desired).
5. Ability to underwrite the risks of the clients' enterprise.
6. A large array of products, continuously developing new products and then professionally rolling them out and putting them to use.
7. Innovative terms, conditions, financing concepts.

See **Quality** *on page 44*

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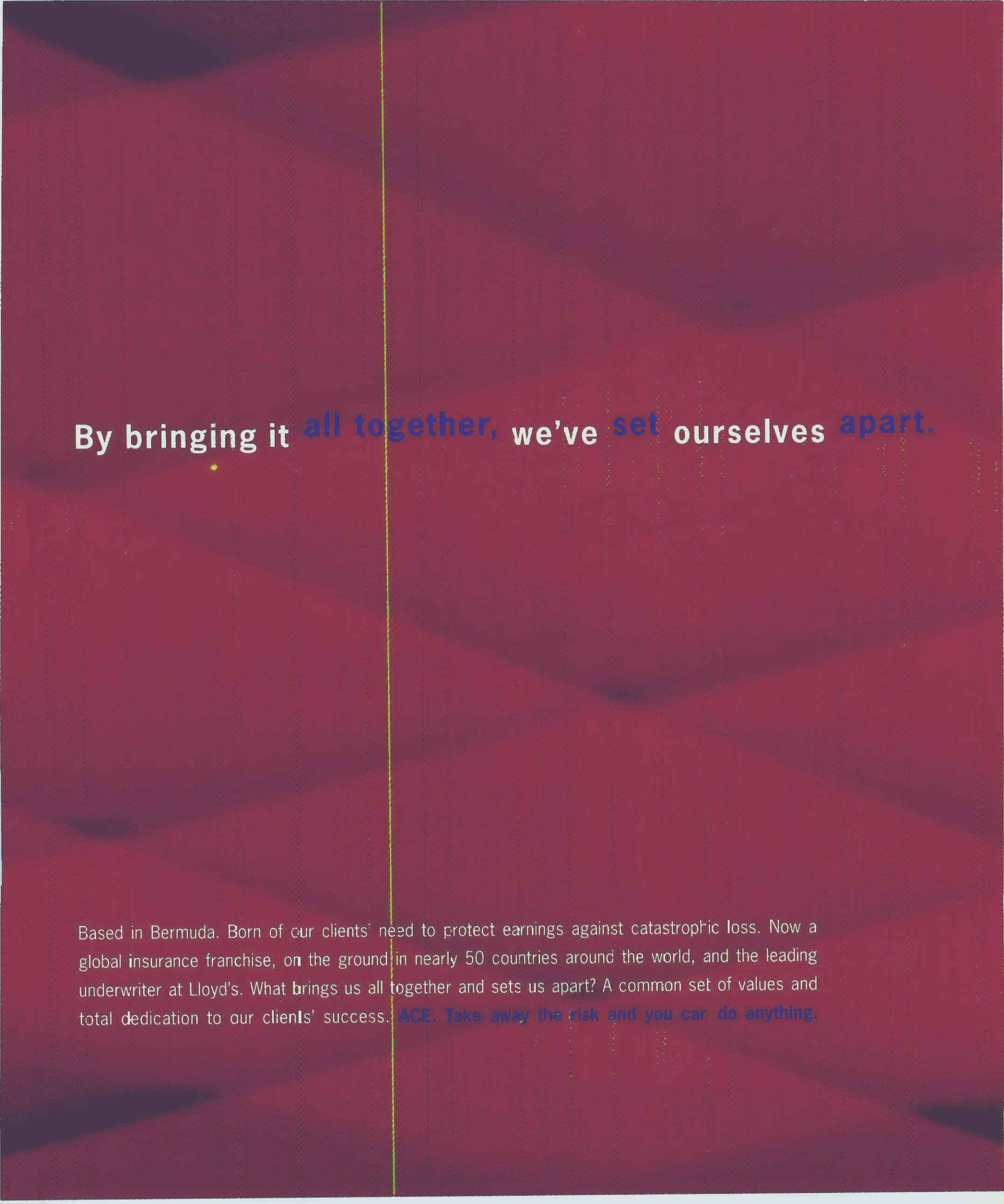
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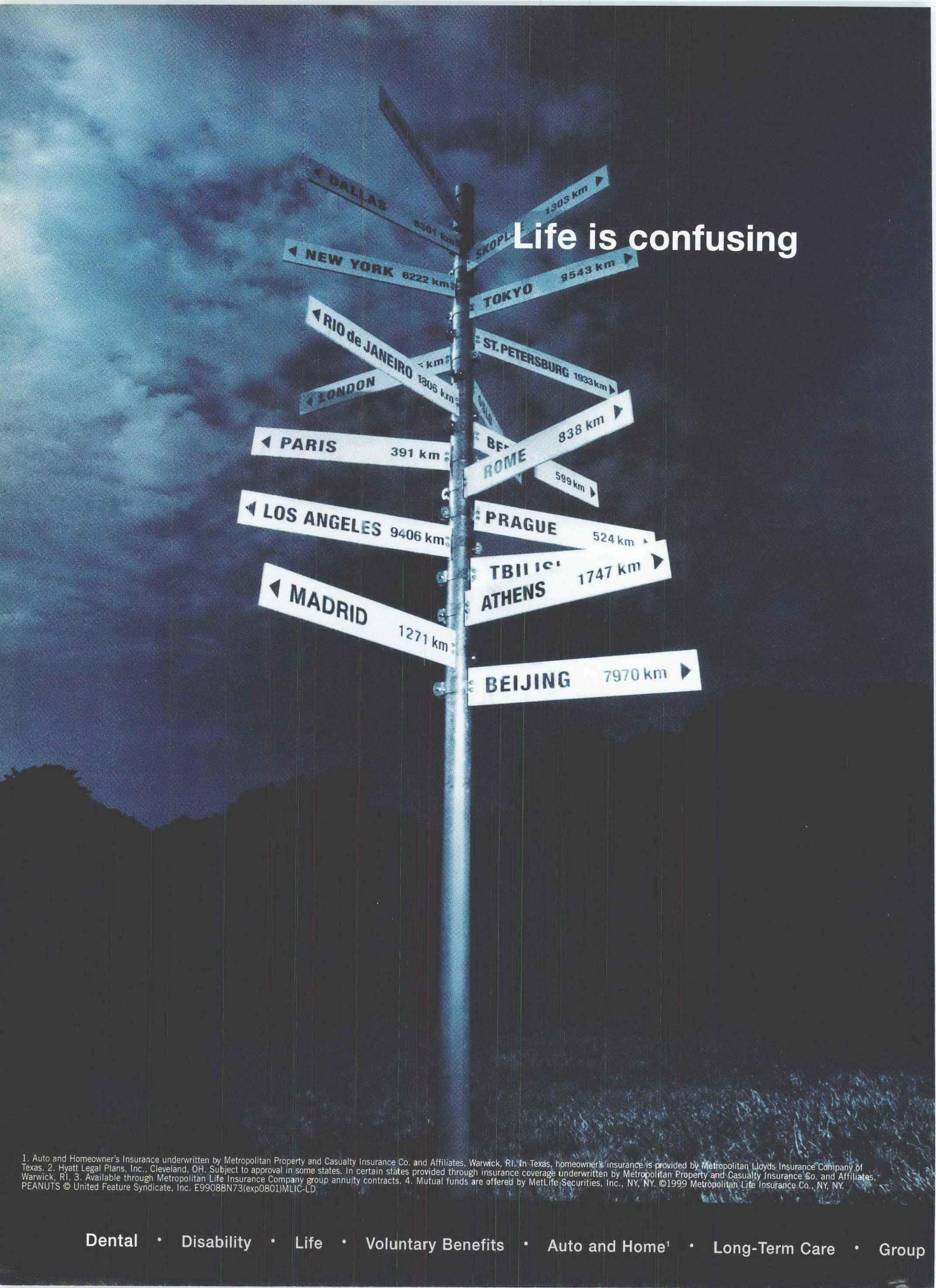
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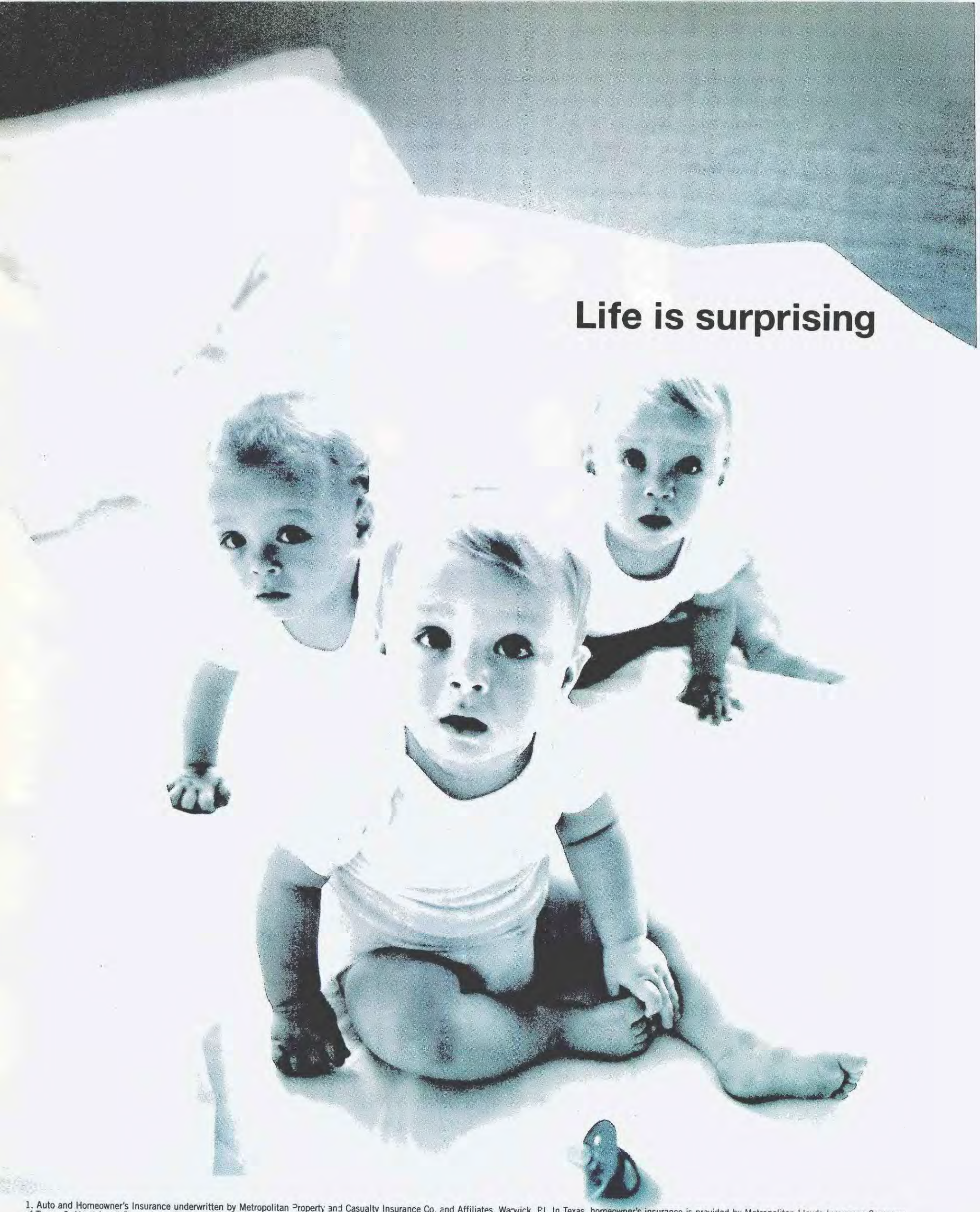
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Internet use grows, but online insurance sales may not

By MICHAEL PRINCE

Risk managers and insurers increasingly are turning to the Internet for a variety of insurance transactions.

More insurers are selling commercial policies online, while also exchanging data with policyholders and brokers on the Internet and making coverage and claims information available via secure Web sites.

But a wall may be looming to wider use of the Internet for commercial insurance.

Online sales to date have been limited mostly to smaller policies and involving only a few lines of coverage. This might not dramatically change, as most observers say that large commercial lines policies are too complex to sell over the Internet.

In terms of underwriting, the most common use of the Internet has been for exchanging information. This typically consists of policyholders posting risk data on a secure Web site and allowing brokers and insurers access to the information.

Once rare, this type of electronic data exchange is growing in popularity and is becoming an accepted practice, said Jackie Hair, corporate risk manager for Cisco Systems Inc. in San Jose, Calif.

Using the Internet more while relying less on paper is the wave of the future, said Brandon Sweitzer, president of Marsh Inc. in New York.

"It is the way business will be done," he said.

Befitting its role as a leading Internet technology company, Cisco has been at the forefront of using the Internet in creating its insurance program. A few years ago, the company for the first time sent information to its insurers over the Internet to help underwrite its multiyear directors and officers liability insurance program (*BI,* Feb. 23, 1998). The process worked well and the company also is using the Internet for renewal of other coverages.

"Almost every day some aspect of renewal takes place through the Internet," Ms. Hair said.

Ms. Hair sends about 80% to 85% of Cisco's renewal information to its insurers through a secure Web site for which only its broker, Aon Risk Services Cos. Inc., and its insurers have access. Using the Web site saves the risk manager time and money while also eliminating the need for mailing huge piles of paper to the broker and insurers.

"It makes the process so much more efficient," she said.

The open exchange of information also helps to strengthen the relationship between the company and its insurers by creating a constant flow of information.

"Once the system is set up, then there is no reason that access has to be only once a year," Ms. Hair said.

The flow of information also does not have to be one way, as the Internet can just as readily provide policyholders access to information held by brokers and insurers.

For example, Michael Kierig, risk manager for NEC Electronics Inc. in Santa Clara, Calif., said he can view claims and loss data maintained on an Internet site created by his broker, ABD Insurance & Financial Services, at any time.

In addition, Mr. Kierig can put his company's own information on the same Web site, such as technical data for underwriting purposes. So, rather than having senior management at NEC call Mr. Kierig with a question about a claim, for example, that person can go to the Web site and get the information directly. This frees up Mr. Kierig's time to focus on more strategic thinking.

'Almost every day some aspect of renewal takes place through the Internet,' says Jackie Hair of Cisco Systems.

Using the Internet also can save policyholders money, said Bruce Magwood, senior vp-insurance and risk for industrial services provider Philip Services Corp. of Hamilton, Ontario. Because information submitted via the Internet, or on a CD-ROM as Mr. Magwood does, can be analyzed more readily by the insurer's own systems and tailored to its needs, fewer questions exist, he said.

"Any time you can take the guesswork out of what an underwriter is doing, you get a better price," he said.

Beyond the information exchanges, the Internet also can be used for underwriting policies.

One insurer that has been aggressively moving into electronic underwriting has been Reliance National Insurance Co. In 1997, the insurer unveiled CyberComp, a site that allows agents to quote and bind workers comp insurance over the Internet.

The online site, www.cybercomp.com, has grown quickly and will write more than $100 million in gross premiums in 1999, said Mark Benson, executive vp for CyberComp in Lawrenceville, N.J. The program is geared for small accounts, generally up to 50 employees, and averages $10,000 in premiums per policy.

A computer program takes in information supplied at the CyberComp Web site by an agent, provides a quote and binds the business. The entire transaction generally takes between five and 10 minutes, Mr. Benson said.

Using the Internet provides advantages to both the policyholder and insurer. For Reliance, the program ensures the quality of the underwriting by eliminating potential variances between different underwriters and providing uniformity, he said.

"Underwriting discipline is
See **Internet** *on page 16*

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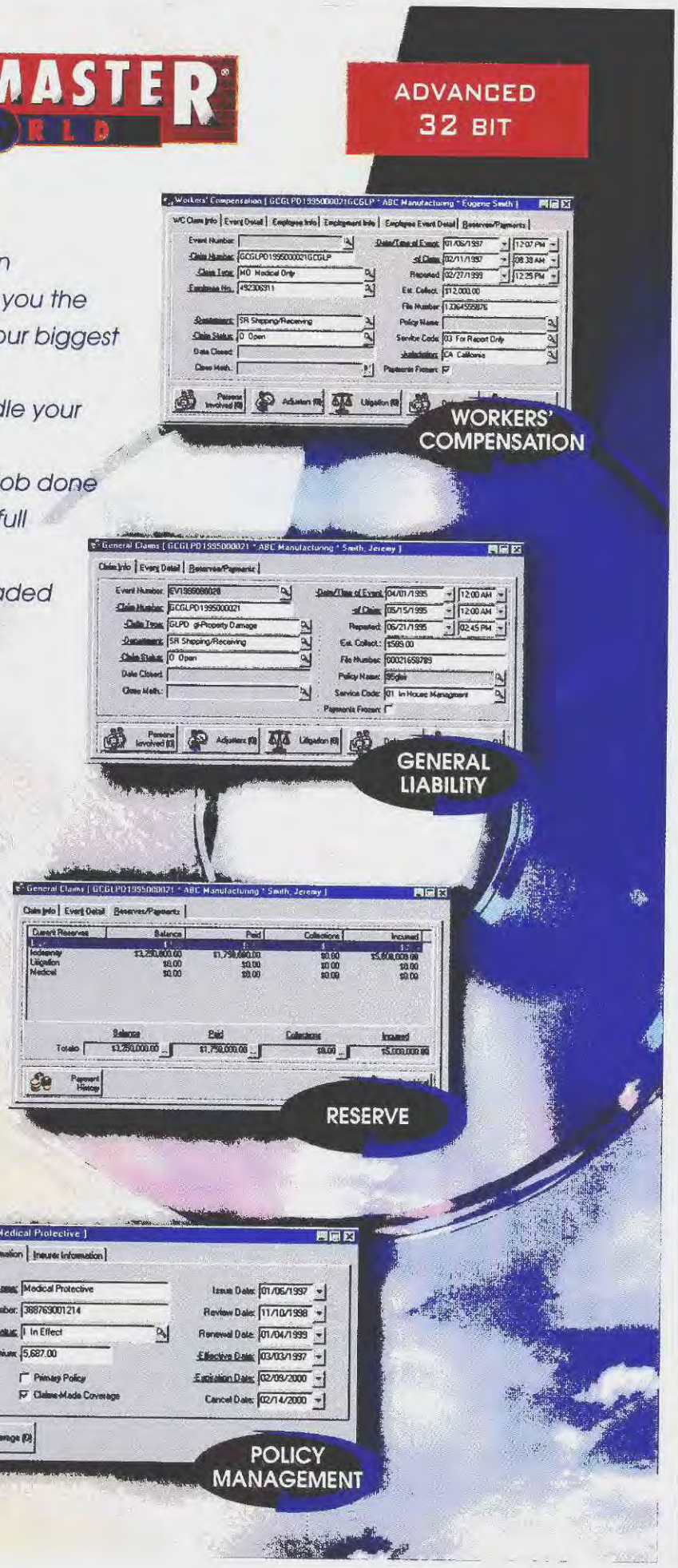
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Internet

Continued from page 14
built in," he added.

Also, the company has higher profit margins using the Internet because once the system is in place, each quote costs the company virtually nothing.

For policyholders, the main benefit is speed.

"You're going to get an answer you can depend on and you're going to get it quickly," Mr. Benson said.

CyberComp has been so successful, Reliance National has just launched another site, Umbrella Online, for purchasing small business umbrella policies. Like CyberComp, the system is designed so that agents enter the information at the Web site, www.umbrellaonline.com, and obtain a quote and bind the insurance.

In five to 10 minutes "it's a done deal," said Catherine Kelly, a senior vp at Reliance in New York. As the program is designed for small business, policy limits will be up to $10 million, she said.

With online underwriting, "the idea is to get it as intuitive as possible," while still obtaining enough information about the risk to make accurate underwriting decisions, she said.

Chubb & Son Inc. has also entered the field of Internet underwriting. The subsidiary of Chubb Corp. this month launched its On-Line Builders Risk product from its Web site, www.chubb.com, to sell builders risk insurance over the Internet to small home and commercial builders. The policies will have limits up to $1 million for residential builders and $10 million for commercial builders and coverage must be procured by an agent or broker.

When designing the system, the object was to make it so sophisticated that it was simple to use, said Richard Soja, assistant vp and worldwide manager of inland marine operations for Chubb & Son in Warren, N.J. The final product puts 90% of its functions into only five different computer screens.

"If we made it much more difficult than that, no one would use it," he explained.

Agents and brokers using the system answer a series of questions. If the risk is accepted, a quote is presented for the risk that the user can either accept or reject. If accepted, the computer binds the policy and mails it within hours.

"So a human being never has to touch it," Mr. Soja said.

Seeing great potential to sell insurance over the Internet, Chubb plans to expand its product offerings beyond the builders risk policy. Any line of coverage that is "predictable, low-level and routine" can be successfully underwritten over the Internet, he said.

The success of such Internet insurance sales also points out its limitations.

Sales to date typically are geared for small risks with limited variables. To underwrite more sophisticated risks, however, will require a much more sophisticated system.

Despite the growing role of the Internet, therefore, it's doubtful it will replace people when it comes to underwriting large, complex risks, insurers and brokers say.

"Anything that rises above the routine is likely to involve expert counsel, and people will continue to be important," Mr. Sweitzer of Marsh said.

Chubb's Mr. Soja said he doubts whether selling large policies over the Internet will ever be cost-effective, as it will take huge sums of money to create a system so sophisticated to handle all the possible variables.

"The return on investment will be better spent elsewhere," he said.

If a system is not sophisticated enough to make Internet underwriting easy, it won't be useful, he added.

"The minute an agent or broker says it's easier to call someone, then we have been ineffective in our system," Mr. Soja said.

Deb Bronson, senior vp and electronic commerce manager of Chubb, agreed. "You have to put so much thought and complexity into it to consider all the pertinent computations and permutations that when you get done you probably won't have enough risks to pump through the system to get your money back," she said.

Also, it will very difficult to change tradition and eliminate the role of people in underwriting.

"It's still a personal business," said Mr. Magwood of Philip Services. "I don't think you will ever replace that electronically," he suggested.

What could emerge is a three-tiered system of Internet use, similar to what has occurred with Internet stock brokers, said David Tweedy, national insurance principal for IBM Global Services Inc. in Barrington, R.I.

On one tier will be policyholders wanting a no-frills approach and they will buy policies over the Internet. While providing no services to the policyholder, this method will also eliminate any broker or agent costs, he noted.

At an intermediate level, a policyholder could ask a broker for some specific advice and then make the purchase directly from the insurer over the Internet, Mr. Tweedy said.

The third level would be full service from a broker that both advises and places the coverage. In this level, both the broker and policyholder could use the Internet to transmit data or communicate with each other and the insurer, he said. BI

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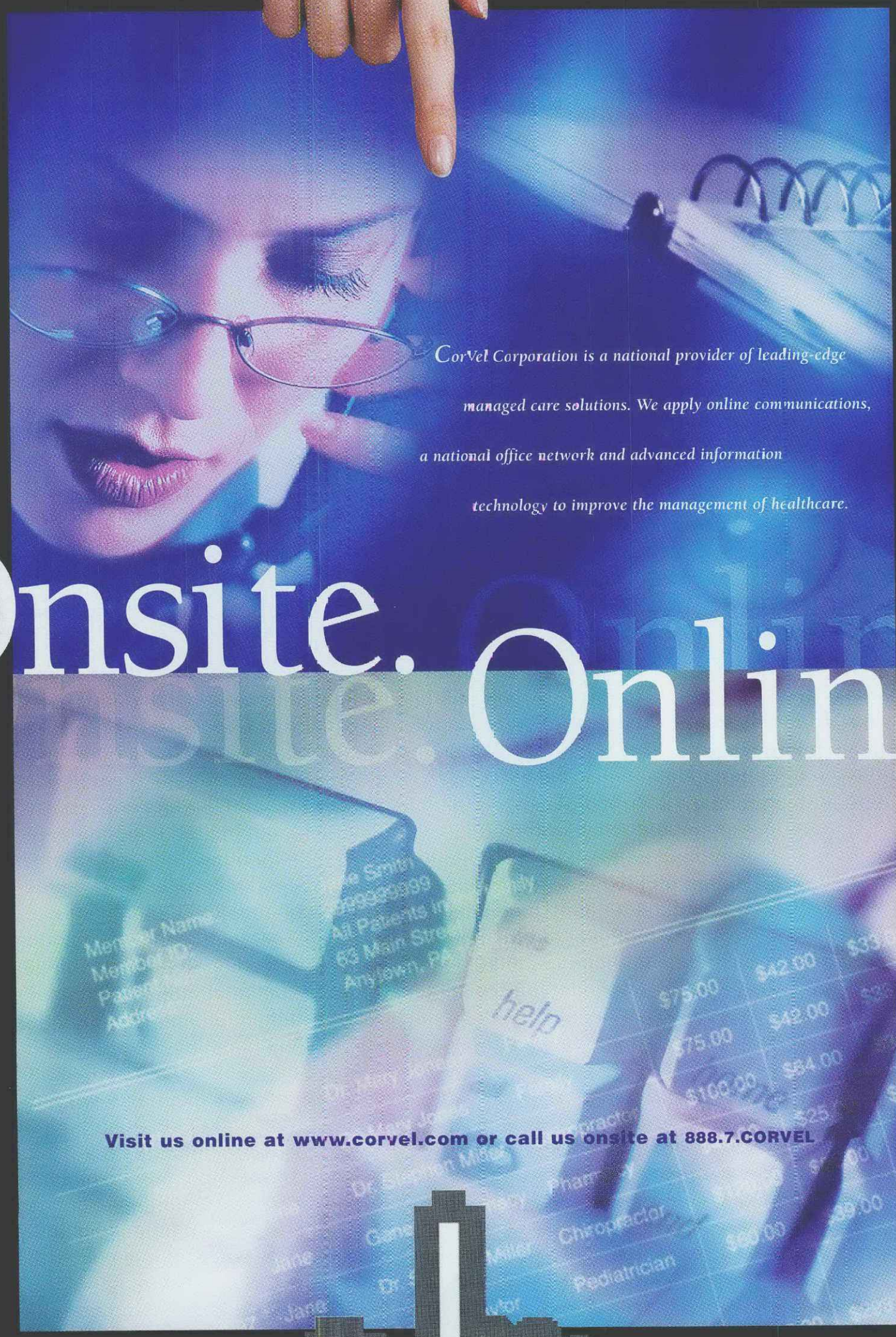
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IQL

Continued from page 3

said. Mr. Lange would only confirm he is still employed by IQL and declined to comment on the system's development.

XL remains committed to the development of a final product by IQL, and creation of the system is continuing, Mr. Morano said.

"We feel very, very good about it, conceptually," he said. "The product intent, all of that; there is great support for it."

XL believes it can use the final product to distinguish itself from competitors and bring additional value to its customers, Mr. Morano said. An enterprise risk management tool could be especially valuable as XL moves to offer a broader array of financial services, including insurance and financial portfolio management, he said.

XL also knows, through market research, that there is a great demand for such a product. Crowds of risk managers flocked to an IQL booth at the 1999 Risk & Insurance Management Society Inc. conference in Dallas last April. Risk managers were eager to learn more about the potential Internet-based tool.

Back then, former IQL President and CEO William M. Thornhill said that the company would unveil industry-specific versions of the system over the summer, and that the product would be ready for market in the third quarter of 1999.

That has not happened, and Mr. Morano said it is impossible for him to say whether IQL's announcements last spring were premature. He noted that he was not at the helm of IQL at the time.

"I can't answer for those who were here, because when you are in a situation, you may feel you are ready to do something at that moment in time," he said. "I wasn't here, and I can't put myself in their position and how they responded to that."

'I want to make sure we have everything lined up before we make any further announcements,' says Richard R. Morano.

Mr. Thornhill, who at one time headed XL's underwriting, has left IQL and could not be reached for comment.

Observers familiar with the project say IQL faced problems developing the idea and lost one of its most strongest supporters within XL when Robert Cooney, formerly president and chief operating officer for X.L. Insurance Co. Ltd. of Hamilton, Bermuda, left the company.

Mr. Cooney is now president and CEO of Max Re Ltd. of Hamilton, Bermuda.

His departure from XL, among other factors, may have slowed IQL's product development and may have contributed to IQL's change in direction from creating a product that could be distributed industry-wide to creating an in-house product.

Mr. Cooney could not be reached for comment.

"In this case, I think it was a series of things that were unavoidable, and the culmination was when Bob (Cooney) decided to leave the company," said Dick Riley, chairman and CEO for Chicago-based Aon Risk Services of the Americas.

Aon had been poised to become a financial partner and participant in IQL's original mission, but then IQL changed its direction, Mr. Riley said. If IQL returns to its original mission, Aon is still willing to participate, he said.

Jay Deragon, chairman of Nashville, Tenn.-based The Deragon Group, said that IQL had problems. But he declined to elaborate on what those problems have been.

"There were more problems, apparently, and I'm not free to talk about the details—only to say, it definitely slowed things down to step back strategically and say, 'What direction should we take?'" Mr. Deragon said.

Mr. Deragon was hired by IQL to conduct market development research. He said last year that the product's developers wanted it to accelerate market changes by greatly expanding the role of risk managers and their understanding of the risks their companies face (*BI,* Dec. 7, 1998). A greater understanding of risks also could facilitate a greater number of products being offered to address those risks.

Mr. Morano acknowledged that the project did get off track. But the problems have been nothing more than those common to developing any technical product, he said. They had to do with "internal philosophical decision making" about how best to go forward, how the product was going to work, and what service providers would be involved.

Now, an in-house marketing committee has been formed at XL to evaluate IQL's final product and how that system will serve the needs of XL's business units, Mr. Morano said. IQL will not drive the final development of the system. Instead, XL business units will, he said.

In-house market and beta testing must still be conducted to determine how the final product will fit in at XL, Mr. Morano said.

"We are looking at that whole structure to see the best way to organize it going forward. We haven't made that decision yet," he said. "We just started going back, exploring and assessing with (business units) what we have, and what their thoughts are, and what the gaps are, and what we need."

Those questions will be answered when a final product is ready for in-house use, Mr. Morano said. In-house use, however, could mean that brokers and clients who conduct business with XL finally will have access to the system, possibly through an XL site on the World Wide Web.

"I want to make sure we have everything lined up before we make any further announcements and raise any more expectations in the marketplace," he said.

Observers agree that there is a huge desire for an enterprise risk management system that can be available to the entire risk management industry.

There was a phenomenal response within Aon when it first heard of IQL's attempt to draw in insurance, technology and financial industry players to create an enterprise risk system that could be distributed to risk managers, Aon's Mr. Riley said.

"Our people thought, 'My gosh, we finally found the right way to do this,' because one company can't do that by itself," he said. "You need to have an industry initiative. It's like a lot of other issues; the industry needs to get together, and the industry seems to find it very hard to get together." BI

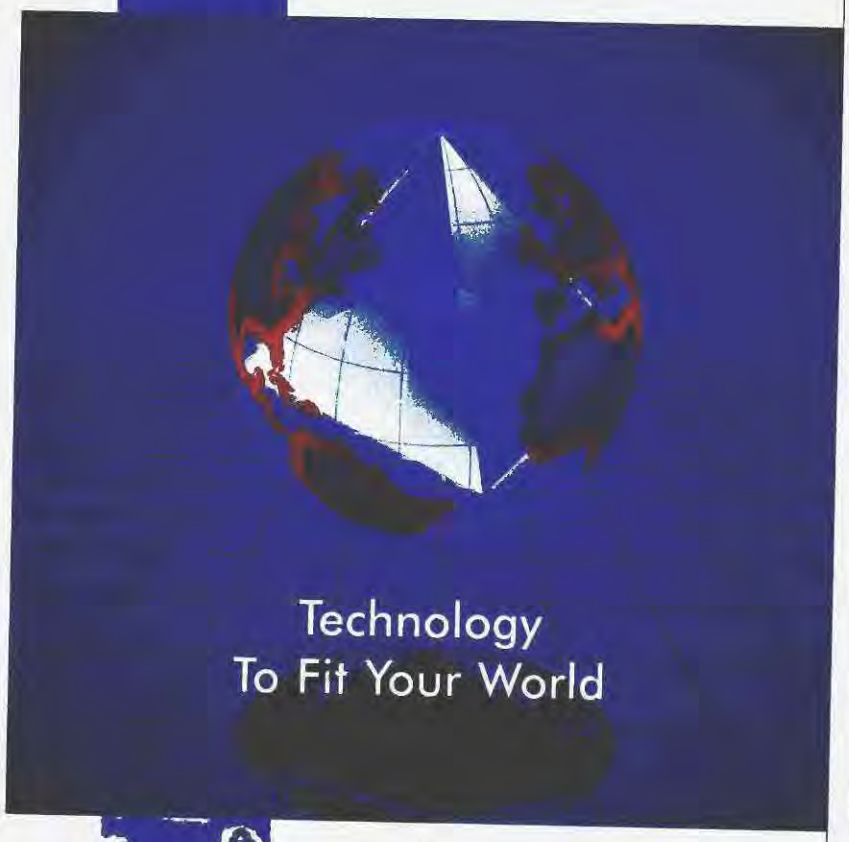
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Standard

Continued from page 3

equipment to authorize purchases with different types of credit cards.

Data standards exist even in the insurance industry.

The American National Standards Institute of New York has developed standards that allow insurers to exchange data with business partners without needing to write individual application programs for each data exchange. Those business partners include financial institutions, rental car companies, automobile glass shops and health care providers.

ANSI is also developing implementation guidelines, some of which have been completed, that are designed to help refine the data exchange process further. These guidelines aim to minimize variations that still exist in how companies implement data, pointed out Dave Meiser, co-chair of the property/casualty task group of ANSI's Accredited Standards Committee X12-N.

The ANSI standards, though, were not designed with the exchange of data between insurers and risk managers in mind.

The National Council on Compensation Insurance, a Boca Raton, Fla.-based workers compensation insurance rate-setting and statistical information organization, has its own set of standards that insurers must use when sending the board information on workplace accidents.

During the past eight years, the International Assn. of Industrial Accident Boards & Commissions of Lawrence, Kan., has coordinated a joint effort among state workers compensation agencies, the insurance industry and employers to develop uniform data standards and formats for paper and electronic data exchanges (*BI*, Oct. 26, 1998).

The standards were designed to help employers comply with the first-report-of-injury requirements and other reporting requirements of workers comp regulatory bodies. Insurers and TPAs can file those reports on behalf of employers in most jurisdictions.

Insurers and employers also have used the IAIABC standards in exchanging data among themselves.

RMIS vendor DORN Technology Group Inc., a Livonia, Mich.-based subsidiary of Policy Management Systems Corp., has developed a data standard. The standard is available at no cost to risk managers, regardless of whether they are clients, and even to competitors. The standard has been adopted by 300 organizations, including insurers, TPAs, and their clients, said DORN President Mark Dorn.

But several risk management consultants and insurer representatives said they doubt that insurers and TPAs would be willing to adopt a standard developed by a single RMIS vendor.

Some observers say insurers, TPAs and RMIS vendors have resisted adopting a data standard for business reasons.

"Insurance companies and TPAs have invested millions of dollars over time in legacy systems that define data for themselves very well," Mr. Duncan of Delta Air Lines said. "It's like moving a mountain."

Mr. Duncan said he was not suggesting that vendors are not interested in adopting a data standard, but that doing so could severely tax their limited resources without adding much to their bottom lines.

Representatives for several insurers, TPAs and RMIS vendors, though, contend that a standard would improve their profitability, because they often cannot recapture the full cost of converting data.

Still, those same individuals agreed that they do not expect to adopt a single data standard for two to three years.

RIMS is unable to head a data standardization effort because of the lack of funding for such a project, explained Linda Lamel, executive director of the New York-based organization.

But the RIMS Data Standards Task Group has developed an approach that the group's members hope can substitute for a standard until one is adopted, said Mr. Duncan, who heads the three-member subgroup of RIMS' Technology Advisory Council. Besides Mr. Duncan, the group includes Mr. Dorn and Renee Yozzi, a risk management consultant with broker Hobbs Group P.L.C. in Malvern, Pa.

Mr. Duncan explained that the RIMS task group is taking a "more flexible" approach to the issue than many groups have attempted.

He explained that other efforts have focused on the expensive prospect of standardizing how data flows into insurers or TPAs.

The RIMS task group instead is looking at the "myriad" ways that insurers and TPAs provide risk managers with claims and loss data without "asking anyone to change how they collect data," he said.

In addition to providing specially tailored reports to individual risk managers, the RIMS task group wants insurers and TPAs to use a tool that extracts data from their databases and presents it in a standardized format to their clients.

Insurers and TPAs then could develop applications for that data, Mr. Duncan said. For example, they could develop a benchmarking tool that would allow scores of Fortune 500 companies to compare workers comp metrics, such as the average cost of claims in California, on an apples-to-apples basis.

Because of the "vested interest" many parties have in this issue, "RIMS is trying to take the politics out of who develops and owns (this process)," Mr. Duncan said.

The RIMS task group has enlisted the help of the insurance and the management information sciences fields at the University of Georgia to help in that endeavor, which initially will focus on the workers comp and auto liability areas.

By year's end, the university will survey the 15 to 25 largest RMIS vendors, insurers and TPAs on how they define various pieces of workers comp and auto liability data, according to Mr. Duncan.

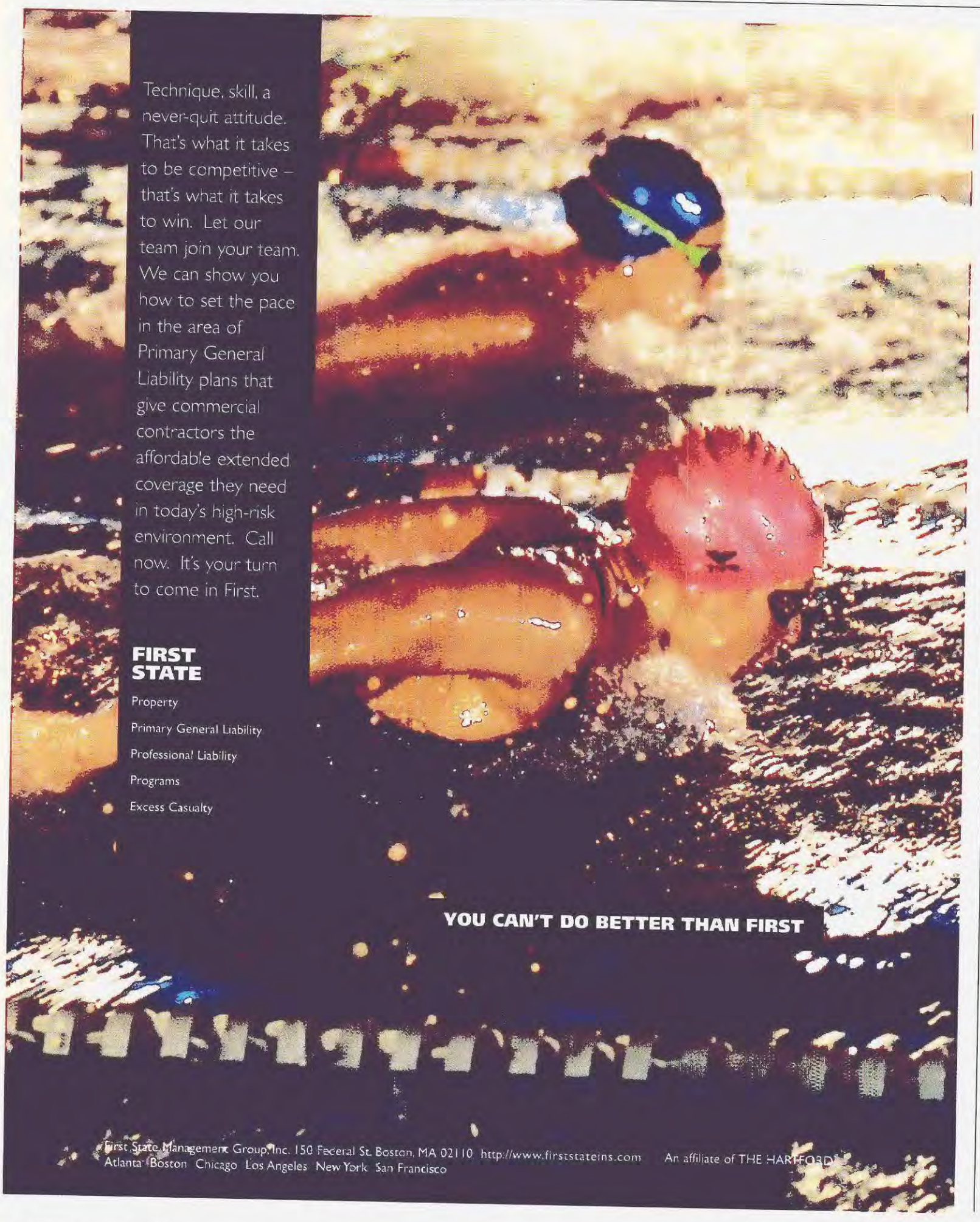
By March, the departments should have analyzed those definitions and determined their commonalities, he said. The departments then will develop a single file format that those companies can use to add one more data extraction process to the stable of those already in place for generating tailor-made reports for clients.

Before the next RIMS conference begins on April 30, the task group would like to obtain a commitment from the surveyed companies to offer that data extraction tool to their clients. "I hope they say we can have that done in a month or two" after committing, Mr. Duncan said. That would make the tool available by the end of June 2000 at the latest.

Mr. Duncan said offering this data extraction tool to risk managers should not involve a lot of work for insurers and TPAs, since they already are willing to provide so many clients tailor-made data extractions.

They may have to change how they manage and define some data, but

See **Standard** *on page 22*



Standard

Continued from page 20
they already do that when providing tailor-made reports to clients, Mr. Duncan said.

Mr. Duncan said he hopes the plan, if adopted by the providers, would benefit them as well as risk managers. "Hopefully, they'll have to do less of the 1,000 individual efforts," he said.

Mr. Duncan acknowledged "it's a certainty" that the data extraction tool will not allow insurers and TPAs to capture all the data that risk managers would want.

The RIMS task group is comfortable with that, he said. "We're pretty convinced that if we try getting 100% of the data right, we'll never get there," explained Mr. Duncan, referring to a data standard. "We want to get 80% of the way there and then turn the industry loose."

A single standard still is needed, Mr. Duncan said. He said he would hate to see a unique data standard developed for each industry, because risk managers need to benchmark across industry lines.

As the RIMS task group prepares to begin its effort, a group of about a dozen employers, insurers, TPAs and brokers is coalescing around a similar objective.

The group, which initially will concentrate on the workers comp area, is scheduled to hold its maiden forum in Chicago today and tomorrow.

The employers are part of the Workers Compensation Quality Council, which is a group of Marsh Inc. clients with large workers comp exposures.

Marsh's Chuck Wight, who organized the forum, said he could not identify any of the employers that will be sending representatives.

Representatives from the insurance and brokerage industries will include officials of American International Group Inc. and Marsh. Officials from other insurers and brokers also have been invited to participate.

A key focus of the meeting likely will be coordinating an effort to produce a white paper on the issue, said Mr. Wight, a senior vp and a managing consultant with the Marsh Risk Consulting division in San Francisco.

Participants in the meeting, though, do not want to duplicate or interfere in any ongoing efforts, said Mr. Wight, who said he was not aware of the RIMS task group's efforts.

The PRDP may have made the greatest progress toward developing a data standard.

After issuing its proposed general liability data standard in April and accepting comments on it until August, the PRDP is finalizing the standard. It expects to release the standard sometime this month, said Cathy Spain, executive director. Ms. Spain said she envisions both public- and private-sector risk managers taking advantage of the standard.

The PRDP was created with $5.2 million of seed money from the 1994 settlement of the massive antitrust lawsuit against the insurance industry. The project's ultimate goal is to provide a database that public entity risk managers could draw on in managing their organizations' exposures and risk-financing costs.

Public entity risk managers can use the database to benchmark various metrics, such as their workers comp and tort liability claims experience and their risk-financing costs. They also could use the database to benchmark the best practices in minimizing risks and costs.

PRDP officials hope to select a data warehouse vendor this month and demonstrate the warehouse at the Public Risk Management Assn.'s annual conference in Charlotte, N.C., next June.

But before public entities could begin transmitting all of the data that the PRDP needs for the database, the project first had to be able to convert the data into a standard format, Ms. Spain explained.

PRDP officials decided to begin by standardizing general liability data. They completed a feasibility study on the standard in 1997 and began developing the standard last year.

The standard will give database users the opportunity to access data that is more descriptive than the data available in other systems, according to Ms. Spain.

For example, in coding the cause of an accident in which a patron slipped on a freshly waxed floor, other systems may limit risk managers' description of the accident to a "trip and fall," Ms. Spain said.

But that description "actually is the result, not the cause" of the accident, she said. "Our system allows you to say the cause was a freshly waxed floor."

The PRDP will make the data standard available on a Web site at no cost and will not require organizations to pay a license fee to implement it.

The project will charge users, however, for a reference manual that will update the standard.

In addition, anyone who intends to use a derivative of the PRDP standard in developing any other data standard first would have to obtain the PRDP's consent.

Ms. Spain acknowledged that there will be some shortcomings in the PRDP's data standard for risk managers in the private sector. For example, manufacturers would not find the cause-of-loss codes they would need, Ms. Spain said.

"But that's only one data element out of 200," she added.

In addition, the standard would not provide private-sector risk managers sufficient codes to denote their organizations' exposures because public entities' exposures are different, according to Steve Bruza, project manager for the PRDP.

But the PRDP probably will develop that coding further to benefit risk managers in the public as well as private sectors, Ms. Spain said. She said the project likely will survey risk managers to develop the coding.

"It's a big job for the public sector. That's why we've invited RIMS to join us," Ms. Spain said.

RIMS has not joined in that effort to date, however. Before it would, the organization would have to study the products and services the PRDP is offering and determine how beneficial they would be for RIMS members, Ms. Lamel said. RIMS has not set a timetable for making that decision, she said.

Any assistance that RIMS would provide to the PRDP most likely would be in the form of guidance rather than funding, Ms. Lamel said.

Mr. Duncan of the RIMS task group praised the PRDP's "phenomenal piece of work" and said he wishes the project "a lot of success." He observed, however, that many companies in the private sector currently would not be able to take advantage of the project's data standard.

Once a data standard is adopted, a recent Internet advancement will facilitate its use, according to systems experts.

The World Wide Web Consortium has approved the Extensible Markup Language standard. The specification allows those who want to exchange data over the Internet to tag Web-based documents in a way that gives customized definitions to data. BI

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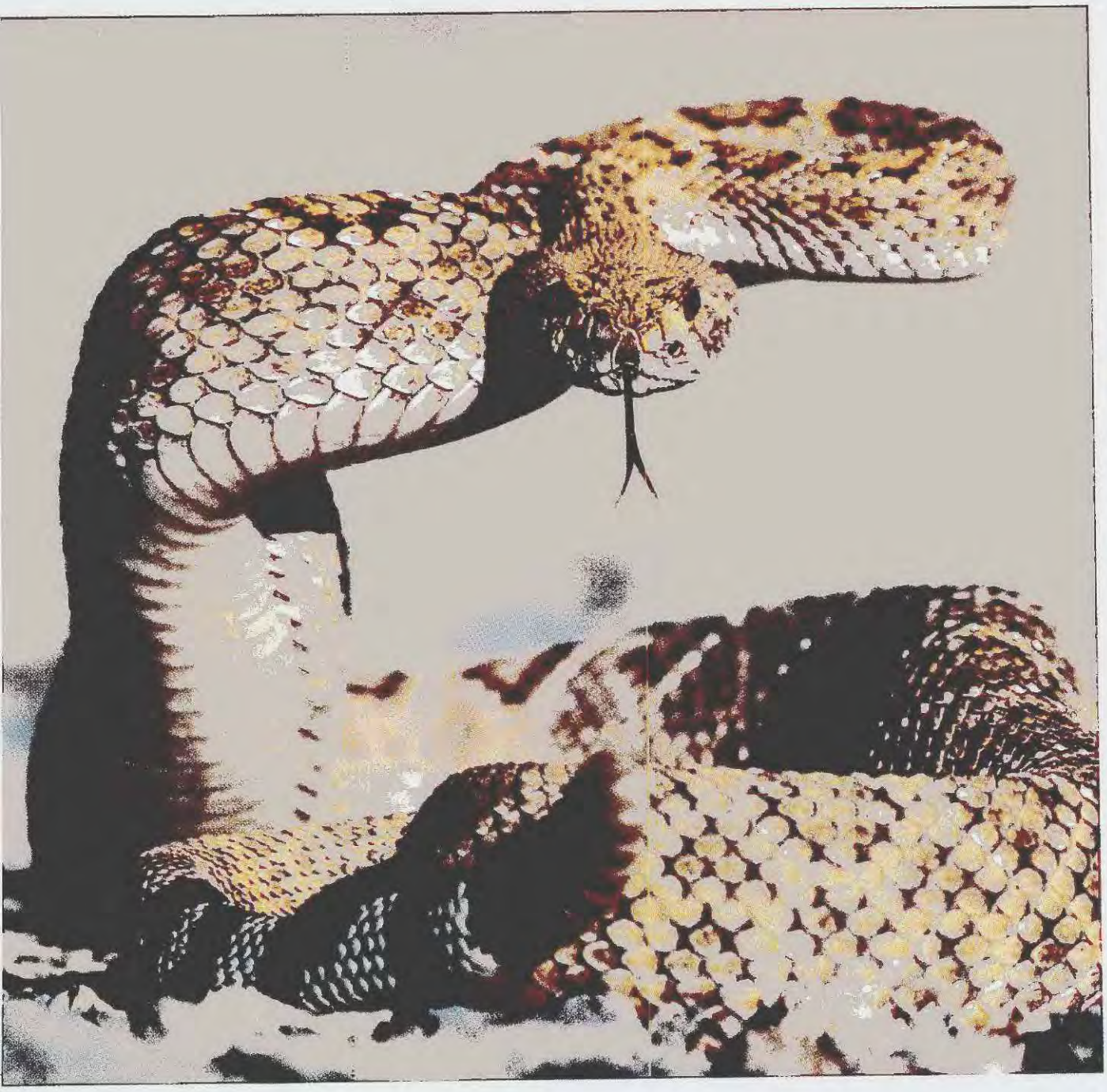
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B

Blackburn Group Inc.

Sibley Tower Building,
25 Franklin St., Suite 1110,
Rochester, N.Y. 14604
716-586-4530; fax: 716-586-7479
www.blackburngroup.com

Risk management systems since: 1979.
■ RiskPro
Price: $25,000.
System requirements: IBM-compatible PC system; AS400, UNIX mainframe.
Online system.
Customization optional.
First installation: 1991.
Total installations: 204, all in corporate risk management departments.
Claims/coverage managed: general liability, workers compensation, property, auto, casualty, short- and long-term disability, health, life, employment practices liability, multiline coverage.
Features: integrated system for auto and general liability, workers comp and property; claim administration; insurance policy administration; loss forecasting; reserve tracking; risk analysis; self-insurance comparisons and analysis; loss trending; incident reporting; standard and ad hoc report generation; data analysis; check processing; diary; litigation management.
Optional features: advanced network systems include intranet and Internet applications; advanced imaging systems; custom analysis; custom reporting.
User support: user group meetings*, onsite training*, telephone assistance available 13 hours a day*, system manual (customized for custom applications).
Staff: 14 total, 6 professionals.
Clients: 204 total, all in corporate risk management departments, 20 new systems sold in 1998.
Officers: Robert J. Blackburn, managing principal; Steven Vleerick, principal-business development.

C

Cambridge Integrated Services Group Inc.

8 Centre Drive,
Jamesburg, N.J. 08831;
609-655-8383; fax: 609-655-0503

Risk management systems since: 1998.
Parent: Aon Corp.
■ BOS (Back Office Support) System
System requirements: IBM-compatible PC system, Windows, Web-based product, Macintosh.
Online system.
Customization optional.
First installation: 1998.
Total installations: 25, all in corporate risk management departments.
Claims/coverage managed: general liability, workers compensation, property, auto, casualty, health, welfare, unemployment compensation.
Features: claim administration; loss development; forecasting; loss prevention; policy tracking; reserve tracking; allocation of premium; risk analysis; loss trending; safety and loss control; incident reporting; report generation; diary; managed care and claim notes; litigation management; data analysis; trending and data mining tool.
User support: onsite training, telephone assistance available 24 hours a day*.
Staff: 15 total, 9C professionals.
Clients: 15 total, all in corporate risk management departments.
Branch offices: 110 service, sales and systems offices located throughout the United States.
1998 revenue: $30 million total.
Officers: Tracey A. Carragher, chairperson; Stephen A. Eisenmann, president; Keith Zimmerman, executive vp.
Contact: Richard R. Rothman, executive vp-business development.

Certificate Management Solutions

875 N. Michigan Ave., Suite 1900,
Chicago, Ill. 60611;
312-280-5600; fax: 312-280-5602
www.certificatesolutions.com

Risk management systems since: 1995.
Parent: Near North National Group.
■ Certificate Management Tracking
Online system.
Customization optional.
First installation: 1997.
Claims/coverage managed: general liability, workers compensation, property, auto, casualty, aviation, excess, professional liability.
Features: tracks certificates of insurance; data tracked includes all coverage, additional-insured wording, insurer stability and financial strength; days to cancellation limits, policy numbers and effective and expiration dates.
User support: onsite training*, telephone assistance available eight hours a day*, risk management consulting
■ Certificate Management - Issuance
Online system.
Customization optional.
First installation: 1999.
Claims/coverage managed: general liability, workers compensation, auto, casualty, excess, professional liability.
Features: issues certificates via the Internet; processes all casualty insurance certificates stating clients' carrier policy numbers, effective expiration

Continued on next page

* Included in system price.

THERE ARE MANY LEGAL EAGLES,
BUT ONLY ONE LEGAL ANGELL.



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Contact: Alan J. Levin (Chair) 860-541-7747 (alevin@ealaw.com), Nick Pearson 212-756-0275 (npearson@ealaw.com) or Vince Vitkowsky 212-756-0238 (vvitkowsky@ealaw.com)

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COUNSELLORS AT LAW

HARTFORD NEW YORK BOSTON PALM BEACH PROVIDENCE SHORT HILLS

Continued from previous page

dates; limits; additional-insured wording and days to cancellation; password protected; ability to process certificate renewals in batch format.

User support: onsite training*, telephone assistance available eight hours a day*, risk management consulting, Internet service 24 hours a day.

Staff: 25 total, 6 professionals.

Branch offices: Los Angeles; Chicago; Reno, Nev.; Dallas; Salt Lake City.

Officers: Michael Segal, CEO/chairman; Bob Carter, president; Regan Howell, vp-professional services.

Contact: Lauren McGarrigle, 312-988-3110.

CertainCert Software L.L.C.

150 E. Wilson Bridge Road, Suite 300,
Worthington, Ohio 43085;
614-781-0954; fax: 614-781-0789
www.certaincert.com

Risk management systems since: 1996.

Parent: Core Solutions Inc.

■ Cert 2000

Price: $1,195.

System requirements: IBM-compatible PC system, Windows.

Customization optional.

First installation: 1997.

Total installations: 75.

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

Features: client/server processing; user-level security and record ownership; centralized or decentralized administration; customized processing; point-and-click search and retrieval; automatic expiration checks; analysis of coverage and limits; incoming alert management center and electronic distribution of certificates.

Optional features: additional users; user ID security; LAN/WAN enabled data entry utility; SQL server; custom report writer; incoming alert management system; Citrix mainframe; electronic outgoing certificates.

User support: onsite training, telephone assistance available eight hours a day.

Staff: 5 total, 3 professionals.

Contact: Sandy Brown, general manager; 614-781-0954.

Control Software Group Inc.

5918 Sharon Woods Blvd., Suite 280,
Columbus, Ohio 43229;
800-336-7475 or 614-882-7422;
fax: 614-882-5570

Risk management systems since: 1986.

■ Risk Control Plus

Price $595.

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

Customization optional.

First Installation: 1988.

Total installations: 225.

Claims/coverage managed: various risk exposures.

Features: safety management software; tracking risk exposures; customized input screens to fit exposure; user-defined custom report generator to create statistical and budget reports; cost expenditure reports; OSHA 200 log for multiple locations; data transfer between RCP systems; transfers report data to spreadsheets; graphics programs.

User support: onsite training, telephone assistance available 8.5 hours a day**.

Staff: 5 total, 4 professionals.

Contact: John P. Nipps, president.

***Telephone assistance free for first 90 days.*

Corporate Systems

1200 Corporate Systems Center,
Amarillo, Texas 79102;
800-858-4351; fax: 806-345-2703
www.csedge.com

Risk management systems since: 1967.

■ TeleClaim

System requirements: IBM-compatible PC system, Windows, browser-based system.

Online system.

First Installation: 1984.

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

Features: captures information for various types of loss reporting; bilingual operator service; state form production for all states; custom report production for property, liability and crime claims; customer-specific account design; user-defined questions and codes; employee and vehicle demographic interface capabilities; single-point reporting and catastrophic loss protocols.

Optional features: can interface with employee census; location coding database.

User support: user group meetings, onsite training, telephone assistance available 12 hours a day*.

■ CS+Managed Care

System requirements: IBM-compatible PC system, Windows, browser-based system.

Online system.

Customization optional.

First installation: 1989.

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

Features: analysis of the quality, quantity, necessity and cost of medical service; adjudicates physician, hospital, pharmacy and anesthesia bills for workers compensation claims; automated application of appropriate state fee schedules; electronic data interchange-compliant for state reporting; supports transmission of medical bills for integration with managed care, PPO and claims payment systems.

User support: user group meetings onsite training, telephone assistance available 12 hours a day*.

■ CS Knowledge

System requirements: IBM-compatible PC system, Windows, browser-based system.

Online system.

Customization optional.

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

Features: claim and bill repricing; querying; reporting and drill analysis within a single interface; performs multi-dimensional analysis by drilling up; down and across data in a report; allows manipulation of data while user is offline; provides graphical representation of the data; allows user to save files with an HTML extension and display online; identifies trends and anomalies in data.

Continued on next page

Directory terms explained

The 14th annual *Business Insurance* Directory of Risk Management Information Systems lists companies that produce and supply proprietary software products to companies in response to their risk management needs.

BI's directory of RMIS vendors will also be available online at www.rmisweb.com.

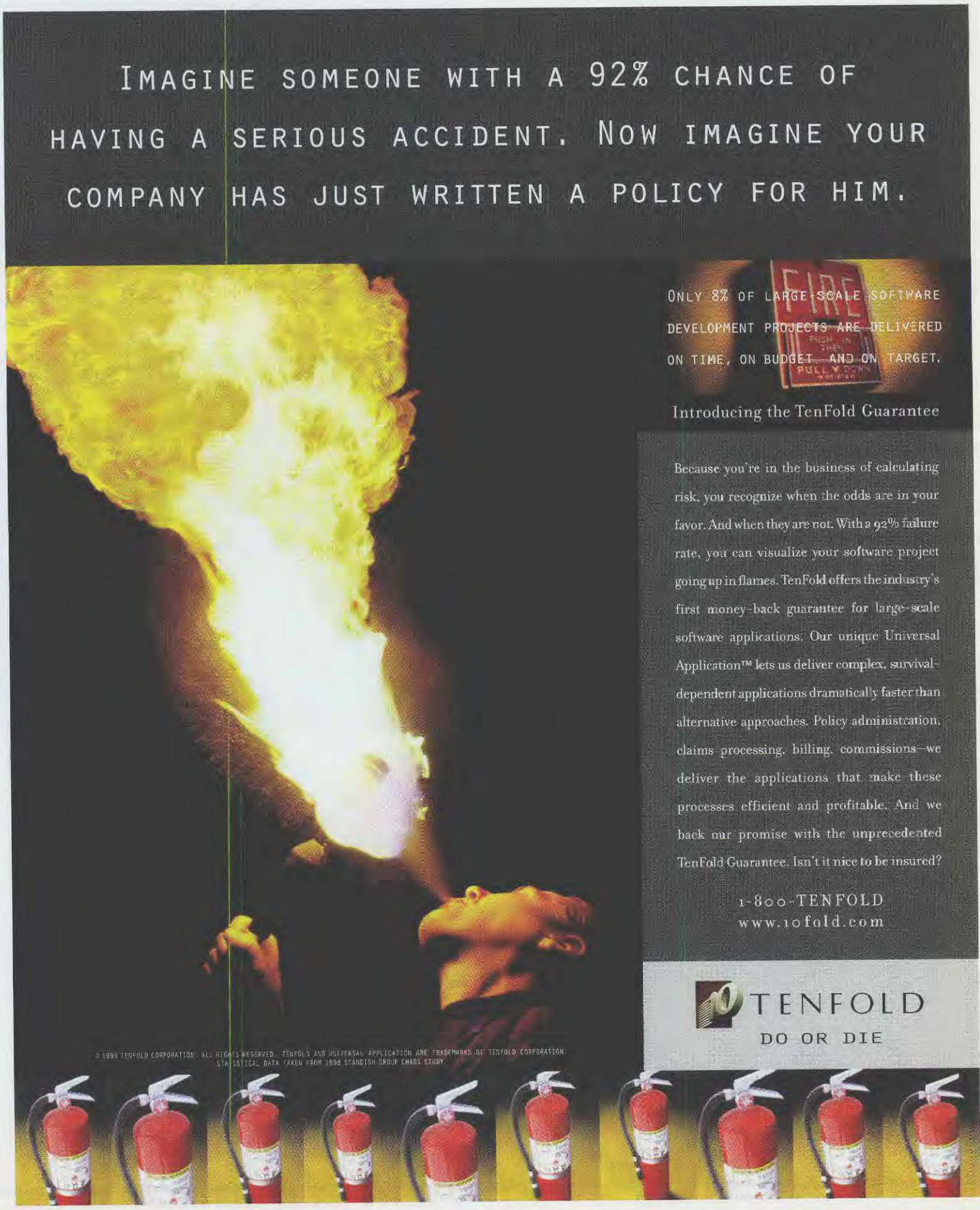
To be listed in the directory, organizations must complete and return a questionnaire. The directory is published as an editorial service; there is no charge to be listed.

Listings are organized by company. Each listing begins with the date the company began offering risk management information systems and the name of the organization's parent company.

Information on specific software products follows. Included are the average completely installed **price,** operating system and hardware **system requirements**, whether the product is an **online system** and whether it can be customized. The year each product was first installed, the total number of installations since the product's introduction and the total number of installations in corporate risk management departments are also provided. Listed next are the types of **claims/coverage managed** by the products, each product's **features** and any **optional features** that are available.

After the product summaries, information on available optional modules is included. Types of **user support** are also noted, and asterisks indicate types of support that are included in the system price. The number of employees in risk management information systems is noted under **staff**, and the **clients** section details the total number of risk management system clients in 1998, the number of those clients in risk management departments, and the number of new clients that purchased systems in 1998. Listed next are **branch office** locations, 1998 **gross revenues** and names and titles of **principal officers**. The name of a **contact** person at the company completes each listing.

Every attempt is made to publish complete and accurate information; however, *BI* is unable to verify all information supplied by the companies.



Continued from previous page

Optional features: reporter module provides several options, including user restrictions for security purposes; reports may contain data from multiple sources and may be saved; formatted or exported in HTML; explorer module provides integrated drill anywhere, online analytical processing; pre-defined hierarchies for drilling capabilities and the addition of individual ranges in the hierarchy of objects.

User support: user group meetings, onsite training, telephone assistance available 12 hours a day*.

■ CS Knowledge Net

System requirements: IBM-compatible PC system, Windows, browser, Netscape 4.4 or higher.

Customization optional.

First installation: 1998.

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

Features: browser-based; drag and drop analytical tool; tracks user access; query time; size of result sets returned; files saved with HTML extensions; security to protect transferred data.

User support: user group meetings, onsite training, telephone assistance available 12 hours a day*.

■ TeleClaim Net

System requirements: IBM-compatible PC system, Windows, browser-based, Netscape or Internet Explorer 4.0 or higher.

Online system.

Customization optional.

First Installation: 1998.

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

Features: graphical user interface application for Internet or intranet reporting of casualty losses.

User support: user group meetings, onsite training, telephone assistance available 12 hours a day*.

■ Auto MedBill

System requirements: IBM-compatible PC system, Windows, browser-based.

Online system.

Customization optional.

Claims/coverage managed: auto.

Features: application of policy limits; co-pays; deductibles; state fee schedules; state rules and UCR values; edits for reserves and adjuster review limits; automated routing for utilization management; PPO network selection.

User support: user group meetings, onsite training, telephone assistance available 12 hours a day*.

■ Claims Administration System

System requirements: IBM-compatible PC system, Windows, browser-based.

Online system.

Customization optional.

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

Features: administers and tracks claims for property/casualty lines; graphical user interface.

Optional features: legal tracking; automatic claim diary and narrative function; check writing; premium management; coverage management.

User support: user group meetings, onsite training, telephone assistance available 12 hours a day*.

Staff: 486 total, all professionals.

Branch offices: Lisle, Ill.

1998 revenue: $44 million total.

Officers: Johnny Mize, president/CEO; Marc Sollosy, vp/COO; Don Bybee, vp-sales and marketing.

Contact: Carolena Cogdill, 806-337-3554, ccogdill@csedge.

* Included in system price.

Cunningham Lindsey

3910 Brookside Drive,
Tyler, Texas 75711;
903-561-6700; fax: 903-581-2536
www.cunninghamlindsey.com

Risk management systems since: 1988

Parent: Lindsey Morden Group.

■ Flex System/Client Workstation

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

Online system.

Customization optional.

First installation: 1988.

Total installations: 250, 100 in corporate risk management departments.

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

Features: client management; reserve tracking; safety and loss control reporting; payment module; Y2K compliant; policy tracking; positive pay; duplicate checks on claim and check entry; electronic data interchange claims indexed; payment tracking; and custom query reports are available.

Optional features: claim specific information.

User support: user group meetings, onsite training, telephone assistance available 12 hours a day*.

Staff: 5,000 total, 3,500 professionals.

Clients: 100 total, 75 in corporate risk management departments.

Branch offices: Dallas.

1998 revenue: $500 million total.

Officers: Donald B. Smith, president/COO; Kenneth R. Polley, chairman/CEO; Paul Maggi, senior vp/general manager.

Contact: Sharmeela Saulsberry, 7929 Brookriver Drive, Suite 750, Dallas, Texas 75247; ssaulsberry@na.cunninghamlindsey.com.

D

DORN Technology Group

38705 Seven Mile Road, Suite 450,
Livonia, Mich. 48152;
734-462-5800; fax: 734-462-5807
www.dorn.com

Risk management systems since: 1982.

Parent: Policy Management Systems Corp.

■ RISKMASTER/World

Price: $50,000.

System requirements: IBM-compatible PC system, Windows.

Online system: Yes.

Customization optional.

First Installation: 1984.

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

Features: claims management, including general and professional liability, property and product liability, workers compensation, vehicle accidents; incident/occurrence administration; productivity management, including executive data analysis, event-to-claims, diary, data director, bill review, advanced searching; adjuster/case management, including medical bill review; funds management, including payment processing/printing, accounting file integration; data analysis/custom reporting, including actuarial analysis/reports; event/injury analysis reports; SORTMASTER reports/graphics; multimedia processing; data validation; administrative tracking, including property management, hazardous materials, contract coordination, complaint tracking, employee health; policy management, including deductible, coverage data, certificates, allocation, links to claim files, supports SIR management; tracks/updates policy dates; litigation management, including statute of limitations data, expert opinions; legal precedents; exposure management, including integration with organizational hierarchy; rolls up exposure data.

Optional features: general claims; SORTMASTER; data director system; payment processing; vehicle accident; administrative tracking; workers compensation; event/incident; bill review; data validation; loss engine; 1099; hosted universal risk system (Internet module).

User support: user group meetings*, onsite training*, telephone assistance available 12.5 hours a day*,Web site 24 hour online support.

Staff: 66 total, 42 professionals.

Clients: 500 total, 400 in corporate risk management departments, 100 new systems sold in 1998.

Branch offices: Scottsdale, Ariz.; Tampa, Fla.

1998 revenue: $11.8 million total, all from risk management information system sales and service, 50% from software sales, 50% from software services.

Officers: Mark E. Dorn, vp.

Contact: Ron Peterson.

E

ecDATAFLOW.com Inc.**

3322 Memorial Parkway,
Huntsville, Ala. 35801;
256-882-1610; fax: 256-882-1810
www.ecdataflow.com

Risk management systems since: 1993

■ NIIDS (Natinal Industrial Injury Data System).

Price: $500.

System requirements: IBM-compatible PC system, Windows.

Online system.

Customization optional.

First installation: 1993.

Total installations: 663, 300 in corporate risk management departments.

Claims/coverage managed: workers compensation.

Features: business-to-business electronic commerce solutions design, implementation and operations.

Optional features: auto; general liability.

User support: onsite training, telephone assistance available 24 hours a day.

Staff: 13 total, 10 professionals.

Branch offices: Columbus, Ohio.

Contact: Ancel Sherrard.

***ecDataflow.com Inc. resulted from a merger of Regents Electronic Commerce Inc. and SAC3 Inc.*

Effisoft

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

Risk management systems since: 1991.

Parent: Effisoft S.A.R.L.

■ Webrisk

Price: $45,000.

System requirements: IBM-compatible PC system, Windows.

Online system.

Customization optional.

First installation: 1991.

Total installations: 100, 80 in corporate risk management departments.

Claims/coverage managed: general liability, workers compensation, property, auto, casualty, D&O, crime.

Features: Webrisk is a global RMIS that consolidates in a single database losses, exposures, loss control and policies information, for all lines of coverage; multiple currencies and multiple languages; browser-based technology.

User support: user group meetings*, onsite training*, telephone assistance available seven hours a day*, online support via Web site.

Staff: 30 total, 20 professionals.

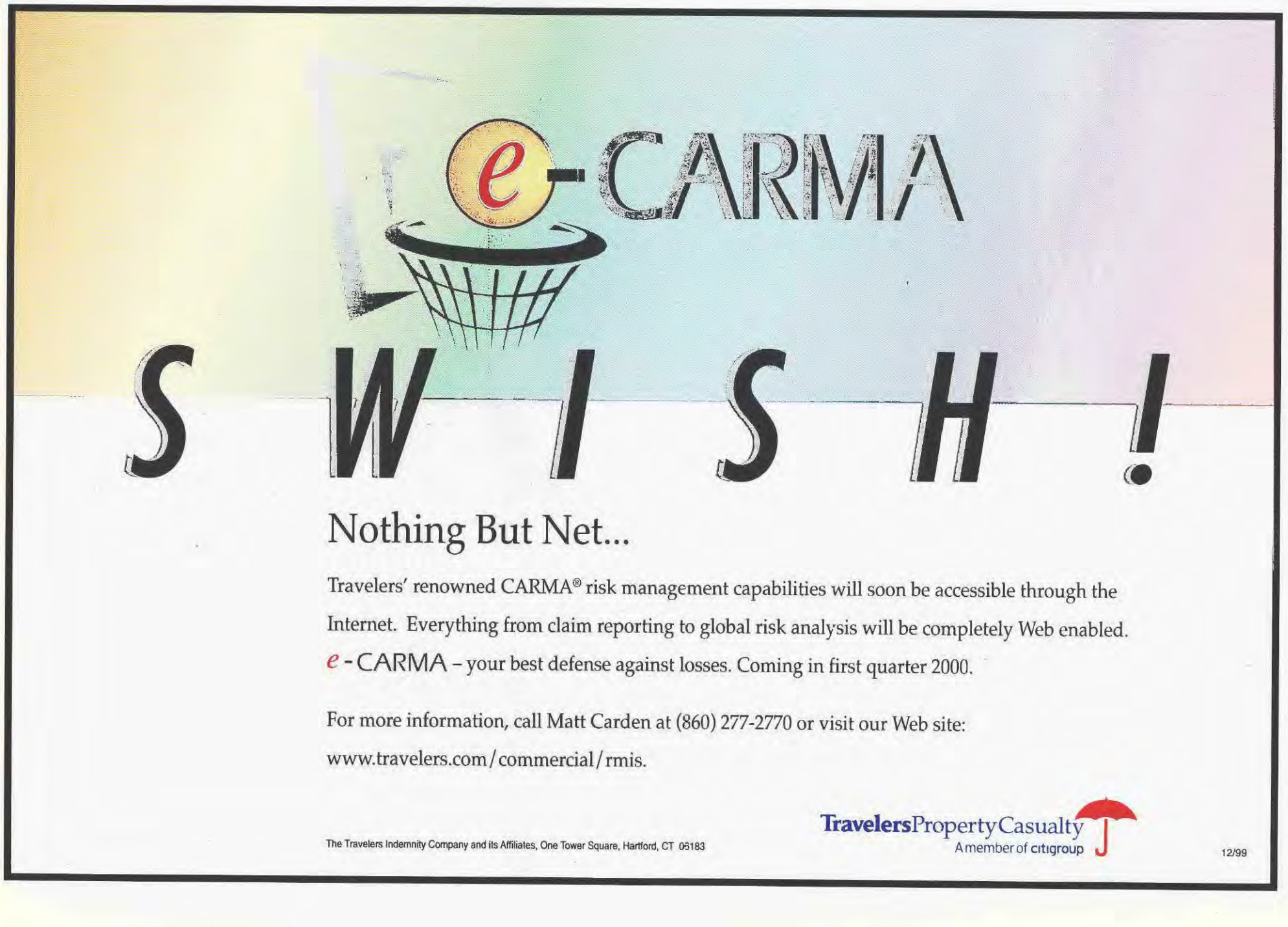
Clients: 100 total, 80 in corporate risk management departments, 15 new systems sold in 1998.

Branch offices: London; Paris.

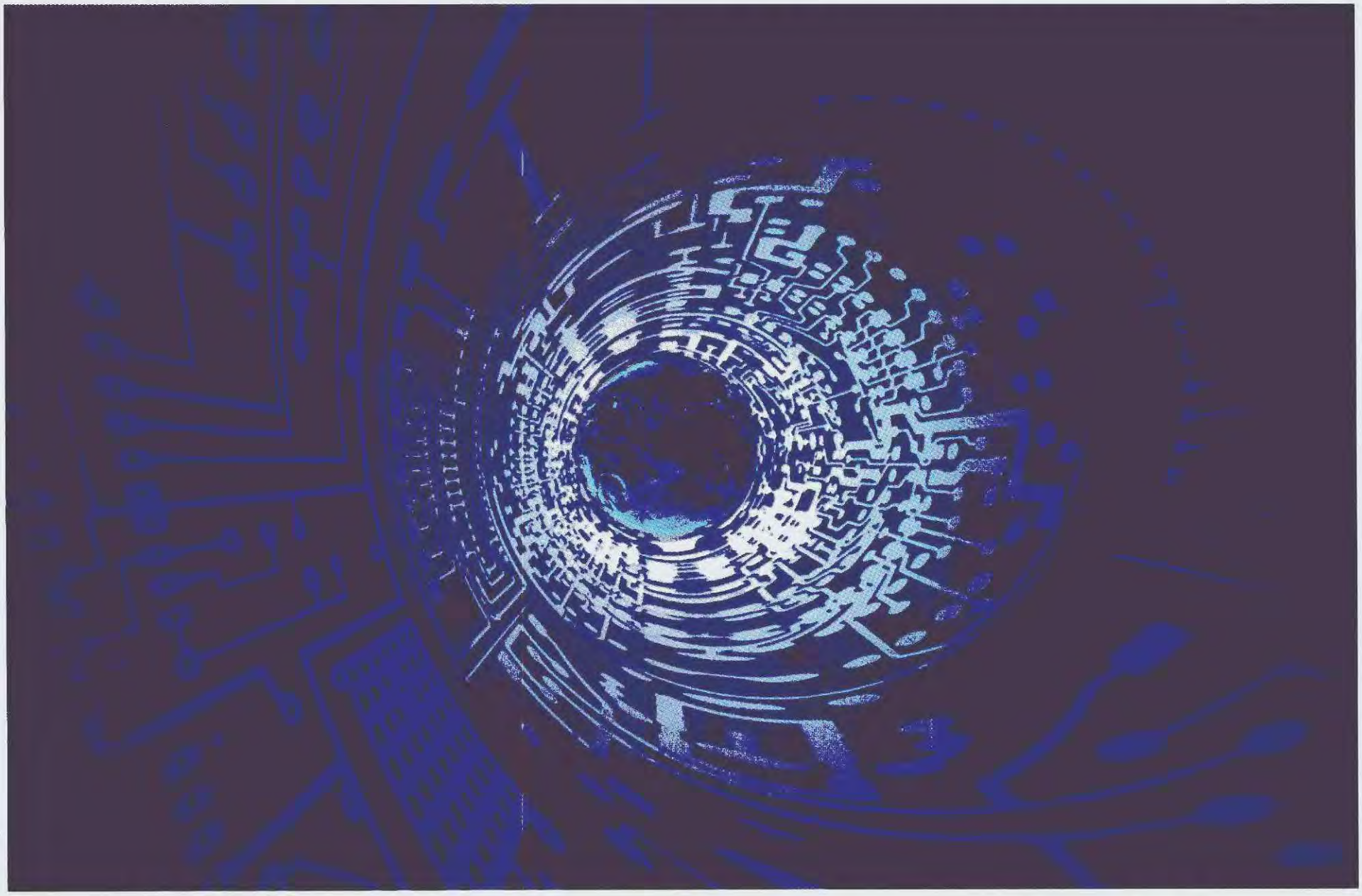
1998 revenue: $2 million total, $1.3 million from risk management information system sales and service, 50% from software sales, 50% from software services.

Contact: Olivier Adler, president, 617-437-0660, ext. 24; adlero@effisoft.com.

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GLOBAL FOCUS Articles on international risk management issues from *BI's* Global Focus demographic section which is mailed only to subscribers outside the U.S.

DATEBOOK A searchable listing of industry-wide meetings and events, through the year.

[illegible] A forum for users to exchange information and discuss a wide range of risk management or benefits management topics.

WEB LINKS A directory of related sites on the Web of interest to risk and benefit managers and others involved in the insurance business.

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Envision Technology Solutions L.L.C.

6975 S. Union Park Center, Suite 120,
Midvale, Utah 84047;
801-568-1818; fax: 801-569-5179
www.envision-ts.com

Risk management systems since: 1994.
Parent: Near North National Group, CNA Financial Corp.

■ RiskEnvision
System requirements: IBM-compatible PC system, Windows.
Customization optional.
First installation: 1994.
Claims/coverage managed: general liability, workers compensation, property, auto, casualty, professional liability, flex module for other lines, product liability, case management.
Features: claims administration; policy management; litigation tracking; loss reserve analysis; experience rate modification calculator; document linkage; payment processing; over 200 standard reports; ad-hoc reports and diary; to-do/log functionality; best practices checklist; bill repricing; case management; exposure/event tracking and cost allocation; executive reporting; loss development; loss forecasting; loss trending; aggregate impairment calculations; turn-key solution through outsourced database management and service plan.
Optional features: remote reporting capability through LAN/WAN (Event Recorder) and the Internet (WebEnvision); Internet access to RiskEnvision data; diminishes lag time reporting and claim processing; access to reports and report templates.
User support: user group meetings, onsite training*, telephone assistance available 10 hours a day*, scheduled classes on topics related to system use, enhancements and new versions included in maintenance fee.

■ CompVision
Price: $2,499 for single users.
System requirements: IBM-compatible PC system, Windows.
First installation: 1994.
Claims/coverage managed: workers compensation.
Features: first report of injury forms for all states; OSHA 200 log production; calculates and tracks experience modification rates; fax; e-mail; workers compensation cost containment advisor includes lost work-day calendar; claim status; days open, days closed, diary and "D-day" functions; query function for common injury descriptions; medical glossary and medical abbreviations; lag time reporting.
Optional features: remote reporting capability through LAN/WAN (Event Recorder) and the Internet (WebEnvision).
User support: onsite training*, telephone assistance available 10 hours a day*.

■ HealthVision
System requirements: IBM-compatible PC system, Windows.
Customization optional.
First installation: 1995.
Claims/coverage managed: general liability, workers compensation, property, auto, casualty, professional liability, product liability, flex module.
Features: claims administration; policy management; litigation tracking; loss reserve analysis; experience rate modification calculator; document linkage; payment processing; over 200 standard reports; diary; to do and log functionality.
Optional features: remote reporting capability through LAN/WAN and the Internet; tracks sentinel events; occurrence screens and potentially compensable exposures in real time; option of purchasing five modules individually; WebEnvision provides Internet access to HealthVision data; diminishes lag time reporting and claim processing; access to reports and report templates.
User support: user group meetings, onsite training*, telephone assistance available 10 hours a day*.
Staff: 30 total, 21 professionals.
Branch offices: Phoenix; Chicago; Detroit; Nashville, Tenn.; Seattle.
Officers: Mike Segal, chairman/CEO; Eileen Oswald, Scott Harper, Bob Carter, executive vps.
Contact: Michelle Bentley, sales@envision-ts.com.

ESIS Inc.

1601 Chestnut St., TL32G,
Philadelphia, Pa. 19103;
215-761-6784; fax: 215-761-5476
www.esis.com

Risk management systems since: 1982.
Parent: INA Financial Services.

■ RiskAdvantage
Price: $12,000 (based on function).
System requirements: IBM-compatible PC system, Windows, Netscape or Internet Explorer.
Online system.
Customization optional.
First installation: 1997.
Total installations: 813, 732 in corporate risk management departments.
Claims/coverage managed: general liability, workers compensation, property, auto, casualty.
Features: Red flags (monitoring of specific types of claims); real-time access to claims adjuster notes; diary capability to/from adjusters for workers comp, auto, property and liability; workers comp analysis; duration and financial analysis; loss development triangles; loss runs; period-to-period comparisons; financial overview; managed care analysis; advanced reporting using customized client routines based on the client's service agreement; reports done on an "as of" or "claims-made" basis; outside carrier data can be loaded into a combined account; exports data to external software packages; newsroom provides information on enhancements.
Optional features: adjustable purchase options for inquiry only; inquiry and claim note diary; inquiry and reports; claim notes/d ary; custom reports.
User support: onsite training, telephone assistance available 12 hours a day*, regional and headquarter seminars, custom programming, particularly in report generation area.
Staff: 32 total, 24 professionals.
Clients: 425 total.
Branch offices: Los Angeles and San Francisco; Denver; Atlanta; Chicago; Boston; New York; Portland, Ore.; Philadelphia; Dallas and Houston.
1998 revenue: $6.1 million total, 80% from software sales, 20% from software services.
Officers: Chris Barnes, president; Eugene Fazzie, CEO/vp; Michael Billings, Mark Cafaro, vps.
Contact: Debbie Johnson, 215-761-6778.

G

GAB Robins North America Inc.

9 Campus Drive, Suite 7
Parsippany, N.J. 07054-0316;
973-993-3805; fax: 973-993-3595
www.gabrobinsna.com

Risk management systems since: 1985.
Parent: SGS North America Inc.

■ clientele
Price: $9,500.
System requirements: IBM-compatible PC system.
On-line system.
Customization optional.
First installation: 1996.
Total installations: 164, all in corporate risk management departments.
Claims/coverage managed: general liability, workers compensation, property, auto, casualty.
Features: immediate access to claims information including reserving, payments all financial history, adjuster notes and detailed claimant data; reviewing and modifying non-financial data; report generation with user-defined criteria; ad hoc reporting capability utilizing Microsoft Access or any other Windows-compliant report writer; creation of completely customized loss analysis reports; full user-controlled data exporting of claims data and the ability to integrate into spreadsheets or any other customer database; month-end point in time analysis.
Optional features: assistance in the development of ad hoc reports and customized modules for data captive/consolidation/reporting as add-on to the clientele product.
User support: onset training, telephone assistance available 11 hours a day*, support via e-mail.
Staff: 690 total, 78 professionals.
Clients: 89 total, 73 in corporate risk management departments, 40 new systems sold in 1998.
Branch offices: Rancho Cordova, Calif.; Denver; Duluth, Ga.; Chicago; Minneapolis; Ontario, Canada.
Officers: John F. Darden, executive vp/CFO; David W.J. McGirr, president/CEO; Janet Turoff, senior vp/chief information officer.
Contact: Eric J. Siegmund, assistant vp-client services operations, siegmune@gabrobins.com.

Gallagher Bassett Services Inc.

2 Pierce Place,
Itasca, Ill. 60143;
630-773-3800; fax: 630-773-6000
www.gallagherbassett.com

Parent: Arthur J. Gallagher Co.

■ RISX-FACS
System requirements: IBM-compatible PC system, Windows.
Online system.
Customization optional.
First installation: 1983.
Total installations: 1,320, 20 in corporate risk management departments.
Claims/coverage managed: general liability, workers compensation, property, auto, casualty.
Features: claims administration; loss forecasting and trending; reserve tracking; loss trending; incident reporting; check processing; diary; litigation management; claim notes; claim payment; recoveries tracking; various reports.
Optional features: RISX-FACS for windows; provides 24 hour direct access to claims data.
User support: user group meetings*, onsite training*, telephone assistance available 24 hours a day*.
Staff: 110 total, 103 professionals.
Clients: 1,299 total, 21 in corporate risk management departments, 290 new systems sold in 1998.
1998 revenue: $149 million total, $9.9 million from risk management information system sales and service.
Officers: Peter Durkalski, president; Robert Mason, CFO; Richard McKenna, executive vp.
Contact: Emil Bravo, vp-claims management.

GenSource Corp.

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

Risk management systems since: 1977.

■ GenCOMP for Windows
Price: $65,000 to $300,000.
System requirements: IBM-compatible PC system, Windows, IBM RS/6000.
Customization optional.
First installation: 1977.
Total installations: 55, 52 in corporate risk management departments.
Claims/coverage managed: workers compensation.
Features: complete functionality for reserves; payments; diaries/notes; medical management and reporting system with the ability to provide ad-hoc reports; policy tracking; risk analysis; incident reporting; check processing; litigation management.
Optional features: permanent disability rating module; short-term disability and long-term disability claims module; liability claims module; risk analysis module.
User support: user group meetings*, onsite training, telephone assistance available 12 hours a day, disaster recovery services.

■ GenDIS-Short Term Disability/Long Term Disability claims system
Price: $65,000 to $300,000.
System requirements: IBM-compatible PC system, Windows, IBM RS/6000.
Customization optional.
First installation: 1996.
Total installations: 4, all in corporate risk management departments.
Claims/coverage managed: non-occupational short/long-term disability insurance claims.
Features: complete functionality for reserves; payments; diaries/notes; medical management and reporting system for general and ad-hoc reports.
Optional features: integrated workers compensation system module; liability claims module; risk analysis module.
User support: user group meetings*, onsite training, telephone assistance available 12 hours a day, disaster recovery services.

■ GenPAC-Liability claims system
Price: $65,000 to $300,000.
System requirements: IBM-compatible PC system, Windows, IBM RS/6000.
Customization optional.
First installation: 1979.
Total installations: 28, 26 in corporate risk management departments.
Claims/coverage managed: general liability, property, casualty.
Features: interactive data entry; supervisor; online inquiry; special forms development; scheduled processing and reporting; complete functionality for reserves; payments; diaries/notes; report systems for both general and ad-hoc reports.
Optional features: workers compensation modules; short/long-term disability modules.
User support: user group meetings*, onsite training, telephone assistance available 12 hours a day, disaster recovery services.
Staff: 41 total, 35 professionals.
Clients: 450 total, 200 in corporate risk management departments, 7 new systems sold in 1998.
Branch offices: Cocoa Beach, Fla.
1998 revenue: 10% from software sales, 45% from software sales, 45% from software services.
Officers: Eric Hoffberg, president/CEO; Nora Kenner, vp-consulting services; John Carolan, director-sales/marketing.
Contact: John Carolan.

I

Insurance Data Services

27127 Calle Arroyo, Suite 1924,
San Juan Capistrano, Calif. 92675;
949-487-1612; fax: 949-487-1613
www.certsonline.com

Risk management systems since: 1995.
Parent: Jenquest Inc.

■ Certificate of Insurance Tracking System
Price: $5.**
System requirements: IBM-compatible PC system.
Online system.
First installation: 1995.
Total installations: 100, 75 in corporate risk management departments.
Features: full "turn-key" certificate of insurance tracking service; customization for client coverage requirement specifications; customized deficiency letters; full account history; document imaging; online access via Internet; custom reporting.
Optional features: special document imaging projects; tracking for licenses, bonds and contracts.
User support: onsite training*, telephone assistance available 19 hours a day*.
Staff: 50 total, 10 professionals.
Clients: 100 total, 75 in corporate risk management departments, 20 new systems sold in 1998.
Officers: Robert M. Ward, president; Thomas H. Wickes, H. Lee Roth, vps.
Contact: Lee Roth, 800-996-9964, ext. 109; lroth@certsonline.com.

*Per account/vendor.

* Included in system price.

J

Jury Verdict Research

747 Dresher Road, P.O. Box 980,
Horsham, Pa. 19044-0980;
215-784-0941; fax: 215-784-9639
www.lrp.com

Risk management systems since: 1987.
Parent: LRP Publications.

■ Case Evaluation Software and Basic Settlement Module
Price: $890.
System requirements: IBM-compatible PC system, Windows.
Claims/coverage managed: general liability, casualty.
Features: claims administration and value determination for general liability and casualty insurers; loss forecasting and development; comparisons; claim reserving.
User support: telephone assistance available 9 hours a day*, training by a product representative.
Branch offices: West Palm Beach, Fla.
Officers: Kenneth F. Kahn, president/CEO.
Contact: Gary Bagin, director-communications.

L

Lumtron Technologies Inc.

P.O. Box 309,
Woodstock, Ill. 60098;
815-568-2602; fax: 815-568-2604
www.lumtron.com **

Risk management systems since: 1986.

■ Claims Master
Price: $10,000.
System requirements: IBM-compatible PC system, Windows.
Online system.
Customization optional.
First installation: 1986.
Total installations: 300, 170 in corporate risk management departments.
Claims/coverage managed: general liability, workers compensation, property, auto, casualty.
Features: claims processing/reporting; integrated diary system; transaction log for history of each claim; integrated work processing; industry standard and user-defined claim category codes; ad hoc reporting; actuarial forecasting and analysis; spreadsheets and graphics supports; monitors claim payments and reserves; OSHA reporting and logs; Internet reporting of claims and review of claims history and activity.
Optional features: remote reporting via the Internet; proactive risk analysis module; safety engineering tracking module; OSHA module.
User support: onsite training, telephone assistance available 8 hours a day.
Clients: 300 total, 170 in corporate risk management departments, 25 new systems sold in 1998.
Officers: Dan DeSerto, president; Janine M. Jozwiak, CEO; Mike Rose, director-development.
Contact: Matt Disparte, dispartem@lumtron.com.

**Website under construction.

M

Marsh Inc.

1 World Trade Center,
New York, N.Y. 10048-9302;
212-345-6000; fax: 212-345-0814
www.starsinfo.com
www.marshmac.com

Risk management systems since: 1990
Parent: Marsh & McLennan Cos. Inc.

■ STARS
Price: $50,000.
System requirements: IBM-compatible PC system, Windows.
Online system.
Customization optional.
First installation: 1990.
Total installations: 1,200, all in corporate risk management departments.
Claims/coverage managed: general liability, workers compensation, property, auto, casualty, incident tracking, professional liability, employers liability, E&O, D&O, products liability.
Features: data conversion and consolidation; executive reporting; ad-hoc reporting; risk analysis; safety and loss control; financial and actuarial re-

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Agent/Broker Topics

A monthly editorial section sent exclusively to agents, brokers and consultants

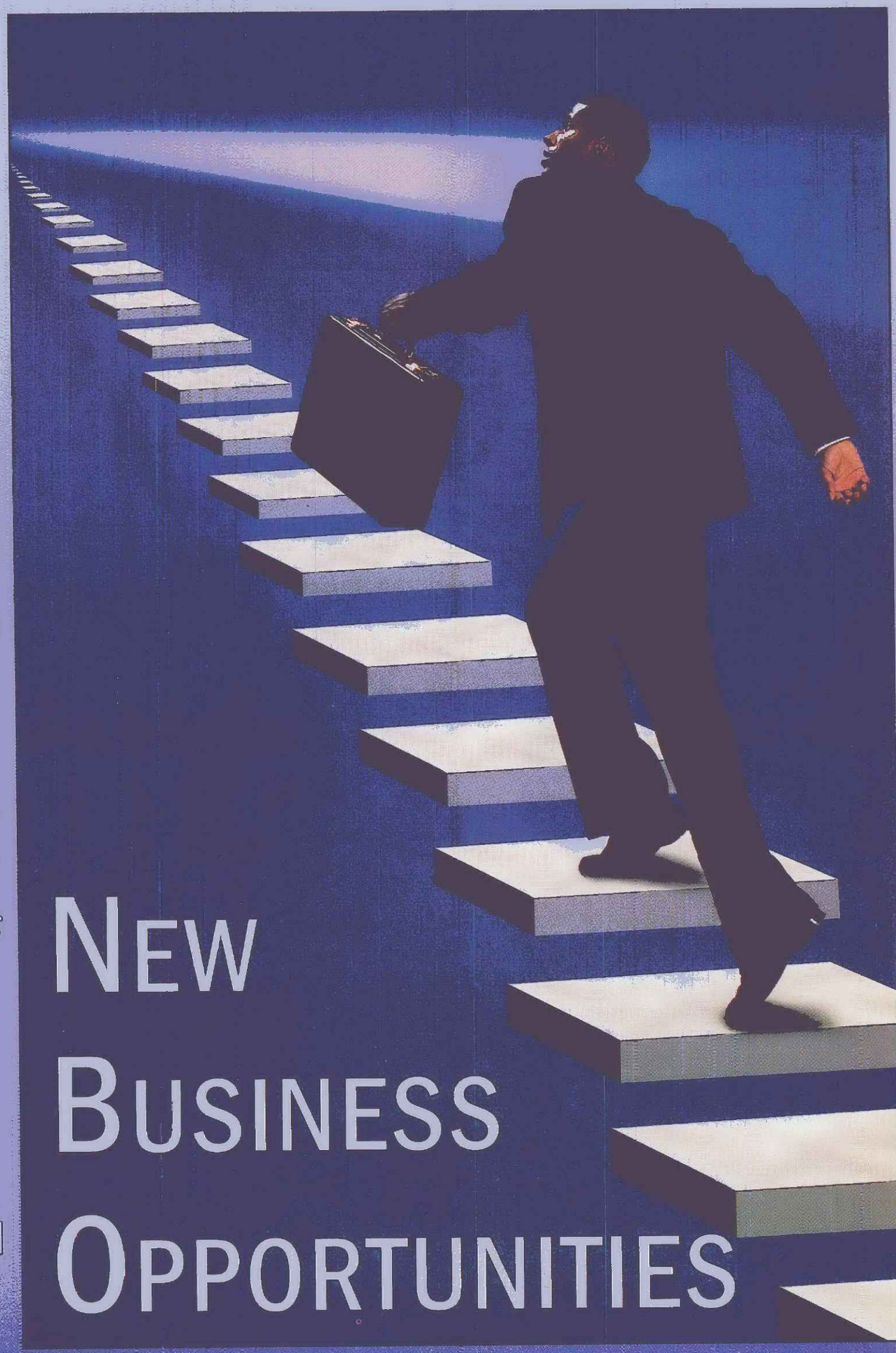
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AGENCY LAUNCHES PEO TO INCREASE ITS BUSINESS PAGE 28D

SMALL COMMERCIAL ACCOUNTS PROMISE GROWTH IN FUTURE PAGE 28F

INSURER HELPING INTERMEDIARIES SELL EIL COVERAGE PAGE 28H



New Business Opportunities

Minority-owned broker gains reach through its partnership with Aon

By LEE FLETCHER

Corbis Insurance Services, a minority-owned insurance broker that has rapidly grown since its founding 16 months ago, is hoping that its alliance with Aon Corp. will continue its expansion on a global scale.

Although the industry veterans that formed Chicago-based Corbis were accustomed to helping manage the risks of Fortune 1000 companies, on their own they lacked the global reach of a large international broker.

Under a partnership with Aon, though, Corbis can provide international brokerage services to multinational clients.

Robert Martin, Corbis' chief operating officer, said: "As we've been doing business in the insurance industry—myself from the underwriting side and (Corbis' chief executive officer) Evan Bull from the brokerage side—one of the things we've noticed is that, from a minority-broker standpoint, there hasn't been one that has been able to put together dedicated resources on a global basis."

Corbis was founded by Messrs. Martin and Bull in July 1998 as EBRM Risk Management & Consulting. Aon was an early backer of the firm and currently owns 5%, with the remainder held by Corbis' two founders.



CEO Evan Bull, left, and COO Robert Martin are the founders of Corbis Insurance Services.

In November of this year, the brokerage adopted its current name.

Through its partnership with Aon, Mr. Martin said, Corbis now can bring added resources to its multinational clients on a more consistent basis worldwide.

According to Gary Marchitello, managing director of the global property practice with Aon Risk Services Cos. Inc. in New York, the partnership also has opened distribution channels for Aon in minority businesses.

And, Mr. Marchitello said, "We feel good about it as a company in supporting an entrepreneurial enterprise in the minority sector."

Minority-owned businesses constitute one of the fastest growing segments of the buyer marketplace, according to Mr. Martin, and the Corbis executives felt that this market was underserved by insurance services providers, he added.

"So, if you can bring the resources of a global player into that marketplace, you can hopefully capture market share," Mr. Martin said.

Aon Risk Services' Mr. Marchitello said, "One of the beauties of the strategic alliance with Aon is that, if they (Corbis) need additional depth in any particular area, they can come to Aon."

Mr. Martin emphasized that the Aon/Corbis partnership simply involves extending a domestic business into the international arena.

"The CEO of a (client) company felt comfortable moving the company to us because we're able to bring in Aon on an international aspect. We would handle everything on a domestic standpoint; Aon would handle everything on the international," Mr. Martin said.

Mr. Marchitello predicts that Corbis will continue to succeed as it grows.

"The people who they have attracted and will continue to attract are individuals with 15 to 20 years experience who are recognized leaders in their particular field. Ultimately, it might become a global enterprise," he said.

Corbis has 13 employees in its offices in Chicago, Los Angeles and Las Vegas, and these employees currently serve about 25 clients, Mr. Martin said.

Some of the firm's clients include Las Vegas-based laundry service Mission Industries; audio component manufacturer Harmon

See **Corbis** *on page 28D*



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The most important piece in this collection isn't in this collection.

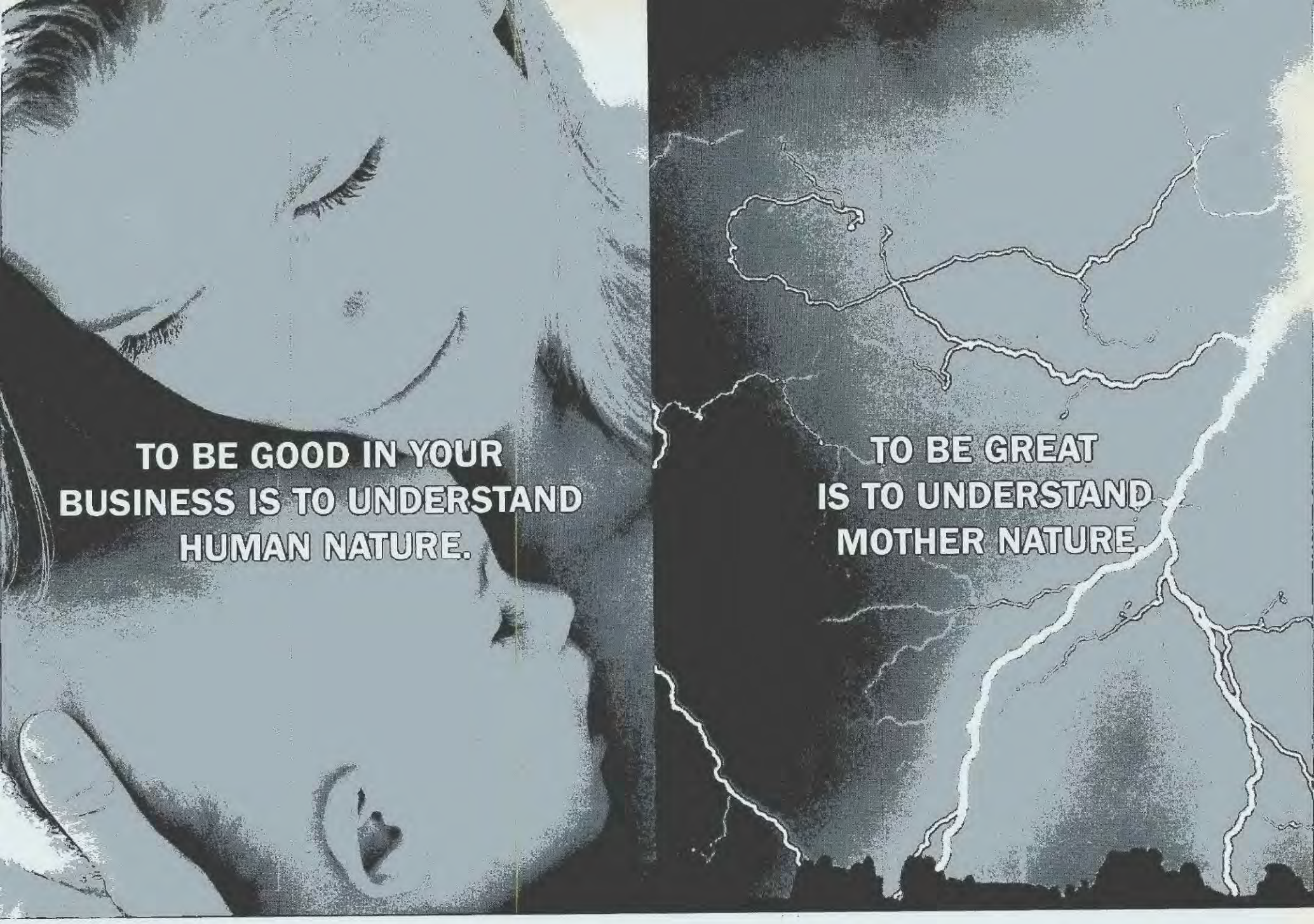
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Corbis

Continued from page 26B

Industries, a Los Angeles-based Fortune 1000 company: and minority-owned SCR Transportation in Chicago.

"Everyone in the company has numerous years of risk management experience so we're not bringing anything to the table except the knowledge base from the large players in the business, who we've all been trained by," Mr. Martin said. Clients, he said, are "not going to be missing anything by moving their business to us, because we can provide global resources."

Mr. Marchitello said he is also impressed—and somewhat surprised—by the financial success of Corbis.

"I shouldn't be, but I'm shocked at how well they're doing. They're generating lots of new business," he said,

Mr. Martin estimated that the firm generates annual gross revenues of $750,000.

According to Mr. Martin, "Every day is an adventure—as with any new business—but this is something that everybody on board has always wanted to do. Given that opportunity, everybody is working 150% to get this thing up and running and moving forward."

Mr. Martin said he is unaware of any other alliances like the one between Corbis and Aon, though he would welcome the emergence of other such alliances.

"If it raises the bar for everybody else, then that's a great thing because that just means better service for the client at the end of the day," Mr. Martin said.

Mr. Marchitello added that it wouldn't surprise him if other industry leaders also formed similar alliances with minority-owned brokers.

"Imitation is the best form of flattery, and Corbis has been such a success," he said. BI

Agency-run PEO poised to expand

Industry ripe for 'tremendous growth': Exec

By SALLY ROBERTS

Not content to sit back and watch professional employer organizations steal workers comp and health care commissions away from his agency, Chuck Davis decided that he'd try to beat them at their own game.

So, in 1997, the chairman and chief executive officer of Tampa, Fla.-based DavisBaldwin Inc. organized a group of leading independent agencies in Florida and sought out a partnership between the agency partners and one of the top five PEOs in the country.

Most large PEOs offer payroll and tax administration, health care and related benefits, retirement plans, workers compensation coverage and human resources management to small and medium-sized businesses.

The idea was to merge the agency group's distribution system with a PEO's back office services.

"Being a large broker in Florida and in a state of PEO genesis, we watched PEOs grow in size and credibility," Mr. Davis said. Although he viewed independent agents as "trusted advisers in the core competencies of PEOs," namely workers compensation and health insurance, he said agencies were beginning to feel competitive pressure from PEOs.

"Out of that exposure, Larry Baldwin and I decided that there was an opportunity in the PEO industry for independent agents," Mr. Davis said, referring to his partner, the president of DavisBaldwin.

After a year of due diligence with the chosen PEO partner, negotiations fell through, and the deal was dissolved.

"They didn't understand how to integrate their solution with an independent agency operation," Mr. Davis said.

At that point, the agency partners decided that "we could build our own PEO solution," he said.

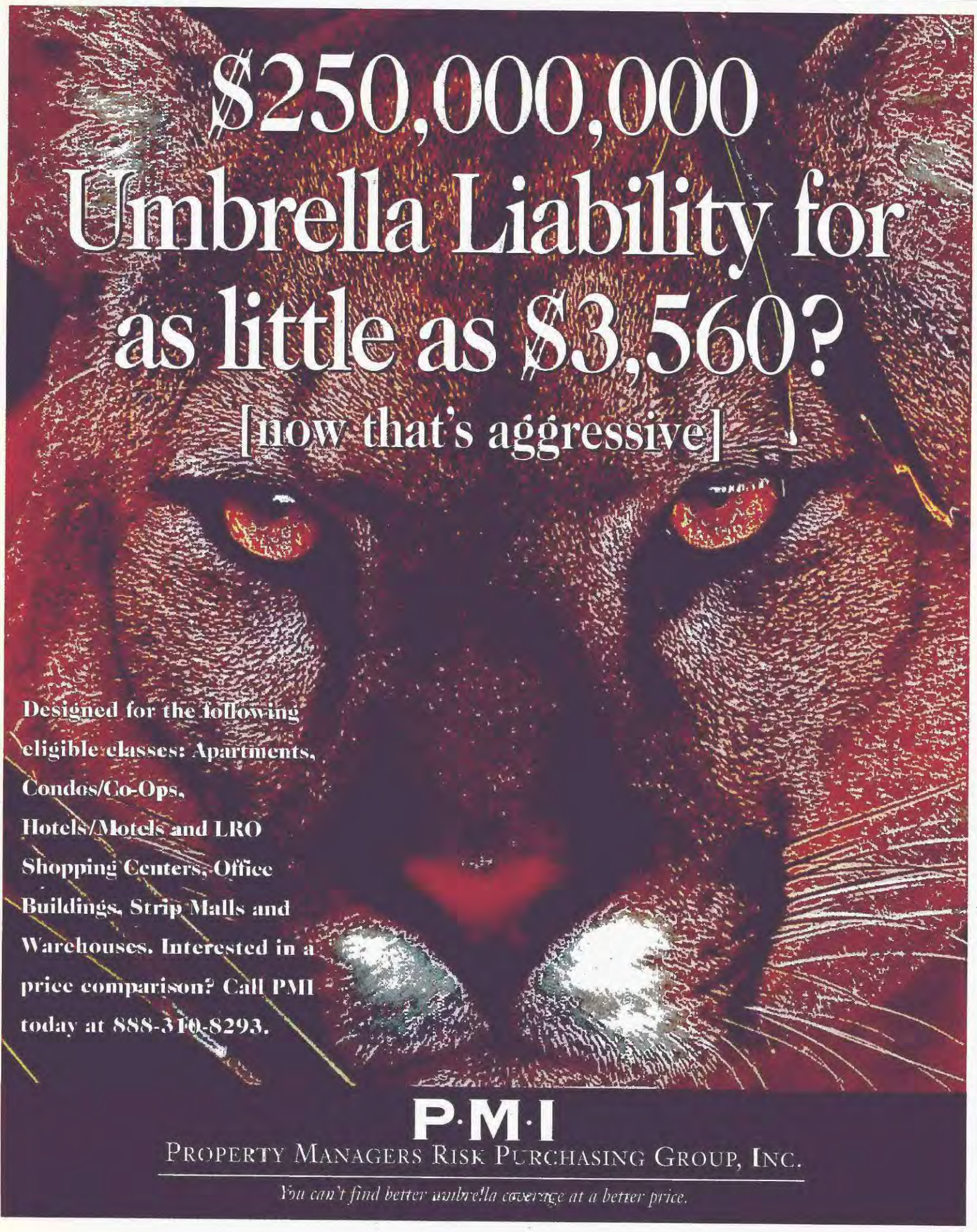
The result of that decision was AdvanTech Solutions, a Tampa-based PEO capitalized earlier this year by its management team and the 28 agency partners that are the PEO's distribution channel.

The management team, which includes former executives from other PEOs, and the agency partners internally raised $26 million to get AdvanTech off the ground.

"There is tremendous growth opportunity" in the PEO industry, said Mr. Davis, who is chairman and CEO of AdvanTech. The projected growth rate for the PEO industry is between 20% and 30% annually, he said, noting that PEOs to date have penetrated only 3% of the entire market.

According to the National Assn. of Professional Employer Organizations' Web site, there are approximately 2,000 PEOs in operation today around the country, and those operations

Continued on next page



Continued from previous page

are responsible for more than $18 billion in employee wages and related human resources and employee benefits activities.

After just five months of operations, AdvanTech has 4,500 lives under contract, representing about 140 employers in Florida, Texas and Georgia, Mr. Davis said.

The PEO projects its first-year revenues at between $40 million and $50 million.

AdvanTech is now looking to add agency partners in Alabama, Tennessee and North Carolina, and it will look to expand in the Northeast in the middle of next year, Mr. Davis said.

Because PEO maturation varies by state, AdvanTech is careful about which markets it attempts to penetrate.

"We're not looking to create awareness of PEOs," he said. "We're looking at markets where the PEO solution has been around for some time—where some pain is being felt by agents in that market."

At the same time, AdvanTech is looking for agency partners.

AdvanTech targets leading sales-oriented organizations that have been in business for a long period of time and have demonstrated the ability to provide value-added solutions, Mr. Davis said, noting that the average length of business of the 28 founding partners is 45 years.

A partner must also be able to invest in a new PEO division within its existing agency, which generally costs $100,000 per year to operate, Mr. Davis said.

As an AdvanTech partner, each agency designates a PEO manager. After extensive training, this manager will oversee a division within the agency dedicated to selling and marketing AdvanTech's products, Mr. Davis explained.

"Our goal is to leverage the presence of agency partners in our markets," Mr. Davis said.

That in turn gives AdvanTech one of its biggest advantages.

"We don't have to build an original sales force to sell and distribute the product," he said. "We rely on and access our agency partners."

As a result, "our cost of sales and marketing is a fraction of what our peers realize." This leverage gives AdvanTech "tremendous opportunity to provide a robust service platform and to deliver what we think the industry hasn't seen," Mr. Davis said.

In the PEO industry, there are several options for brokers that want to distribute PEO products for a commission, explained D. Gaines Lanier, president and CEO of J. Smith Lanier Co. of West Point, Ga., one of AdvanTech's broker partners.

"The problem is that there is no control over the service level the customer receives," Mr. Lanier said. "By forming AdvanTech, we created the service model; we're not depending on someone else," he said.

Agency partners receive a commission from AdvanTech, but they also share in the success of the PEO as equity partners.

Mr. Davis said that the equity shares are based on the amount of PEO business produced within the agency over a period of time. Plans are to take AdvanTech public within the next two to three years, he said.

"It is our firm belief that if an agency partner produces the minimum amount of business in their commitment, they will achieve a value in our public entity equal to or greater than the value of their agency," Mr. Davis said.

Because the agency partners already have established customer bases and because of the commission and equity stake at hand, "our distribution channel is much more expert and highly motivated," he contends.

Mr. Lanier said that he is "amazed" at the interest level from clients.

"There is a real need out there. This is not some fly-by-night opportunity," he said, noting that by Jan. 1, his brokerage will have enrolled between 500 and 600 lives in AdvanTech.

"We saw this as another product in our portfolio. . .another option for clients," he said. J. Smith Lanier distributes workers comp, employment practices liability, group health insurance and other products.

Unlike other PEOs that are more payroll driven, Mr. Davis describes AdvanTech as "HR-centric."

In addition to the traditional payroll, workers comp and employee benefits administration services, AdvanTech differentiates itself with its human resources services, Mr. Davis explained.

Among other services, AdvanTech develops employment policies, consults on personnel issues and assists clients in meeting federal and state regulatory requirements. It also offers dedicated, on-site human resources assistance to provide whatever help clients need, Mr. Davis said.

Mr. Davis emphasized the role of technology in the PEO industry.

"The future of this industry is in providing value-added human resource solutions that are technology driven," he said. Therefore, "we've invested $4 million in technology."

Along with DavisBaldwin, which ranked in *Business Insurance* as the 75th largest broker of U.S. business based on 1998 brokerage revenues of $14.7 million, and J. Smith Lanier, which ranked No. 36 with $30.6 million in brokerage revenues, other AdvanTech partners, and their rankings, include: No. 21 Palmer & Cay Inc. of Savannah, Ga.; and No. 78 Bowen, Miclette & Britt Inc. of Houston. BI

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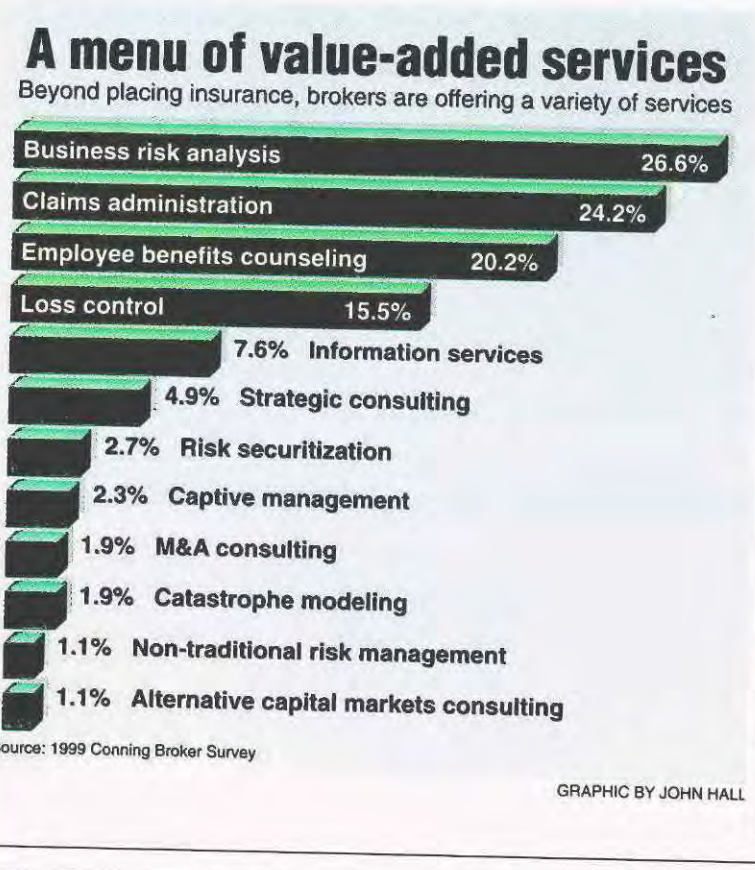
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Brokers told to set their sights lower for future growth



By SALLY ROBERTS

Despite brokers' declining interest in small commercial accounts, that area holds the most growth potential for brokers over the next five years, a recent study says.

That projection, made by Hartford, Conn.-based Conning & Co., is based on an expected economic slowdown in the United States.

"Traditionally, the middle-market experiences more growth volatility than small commercial, growing faster than small firms when the economy is expanding vigorously, and more slowly when the economy is flat or contracting," Conning explains in its new report, "Commercial Insurance Brokers: They Snooze, They Lose."

"As a result of the strong economy over the past five years, growth in the number of middle-market accounts outpaces the small and large sectors," Conning explained. "At a 1.3% average annual growth from 1993 to 1998, middle-market growth was well above the 0.6% (rate) for large and 0.5% for small accounts."

In the report, Conning states that growth in the number of small accounts—employers with fewer than 49 employees—is expected to more than double to 1.2% per year, while growth in the middle-market and national accounts is expected to "dwindle down to practically nothing."

The expected growth in small business translates to nearly 100,000 new accounts each year, according to Conning.

"Brokers would be well-advised to base their business plans on these shifting patterns of growth that lie immediately ahead before pulling back from the small commercial market," Conning advises.

Despite Conning's growth projections, interest in small commercial accounts is waning among brokers, the report found.

Of the 294 brokers responding, 93.2% currently service small commercial accounts; only 90.1% said they will be doing so by 2004.

Conversely, 75.5% of the brokers surveyed said that they are involved in middle-market commercial accounts—those with between 50 and 999 employees—and 82% said they expect to be involved in the middle market by 2004.

Likewise, 11.6% of the brokers surveyed said that they service national accounts—employers with more than 1,000 employees—and 15.7% expect to do so by 2004.

Conning surmises that brokers are turning their attention away from smaller accounts because of the higher growth rate in the middle-market over the last five years.

Organic growth remains a challenge for brokers in the price-competitive commercial insurance market, the survey shows.

Between 1990 and 1998, the average growth rate of commercial premiums was 1.4%, while the average annual growth rate in surplus between 1992 and 1998 was 12%, the report says.

The considerable growth in surplus coupled with modest growth in premiums has resulted in declining premium-to-surplus ratios for the commercial insurance industry, Conning says.

In this difficult environment, brokers' new business production as a percentage of total revenue has been decreasing for the past five years, the report says. In 1994, 19.8% of brokerage revenue came from new business; in 1998, that figure had dropped to 17.7%.

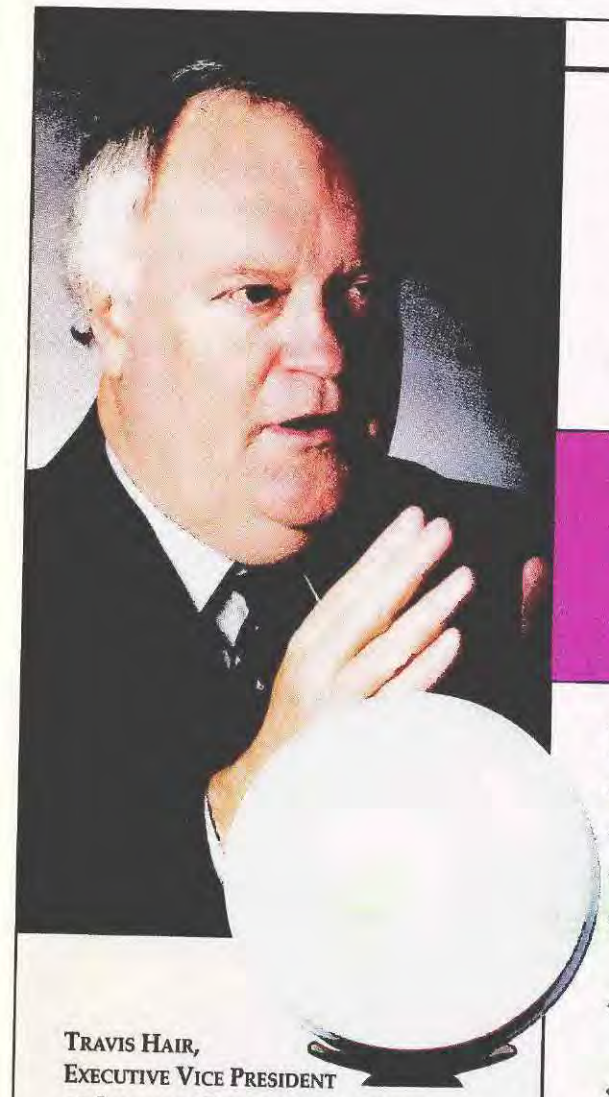
Making acquisitions is one way many agents and brokers have generated top-line growth during the tough market. Between 1996 and 1998, a total of 153 agencies were acquired, according to the report.

As a result of this consolidation, the brokerage market has tightened up in terms of revenue concentration.

According to the report, in 1990, the top three brokerages, Marsh & McLennan Cos. Inc., Alexander & Alexander Services Inc. and Sedgwick Group P.L.C., accounted for 60.6% of the revenues among the top 10 brokers. By 1998, the top three firms—M&M, Aon Corp. and Willis Corroon Group Ltd.—accounted for 78.3% of the revenues for the top 10.

Conning estimates that while the brokers with more than $10 million in revenue represent less

Continued on next page



TRAVIS HAIR,
EXECUTIVE VICE PRESIDENT
OF SCHAEFER-SMITH-ANKENEY INSURANCE
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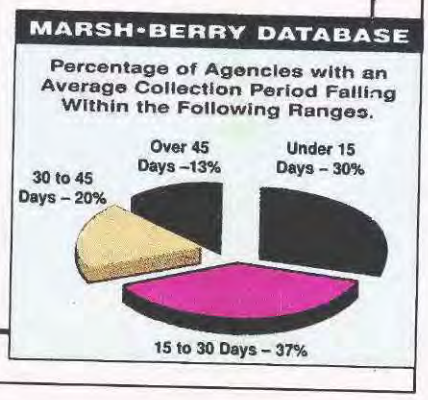
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Continued from previous page
than 0.5% of the total broker population, they control nearly 40% of all commercial premium written in the United States.

On the other hand, agencies with revenues of $1 million or less represent 86% of the brokerage market, but they write only 20% of the premium.

In order to grow and thrive as a "top-notch" broker in the next millennium, brokers must provide more value-added services, Conning states.

According to the report, "very few" of the respondents are currently offering a wide array of services.

Providing business-risk analysis topped the list of services, with 26.6% of the brokers strongly involved today. Twenty-four percent are strongly involved in claims administration, and 20.2% are in employee benefit consulting. Only 15.5% of respondents are involved in loss control services.

"We see these low levels of penetration as a huge opportunity for brokers who are willing to do things differently," Conning states in its report.

Furthermore, less than 2% of the respondents are providing the following services: merger and acquisition consulting, catastrophe modeling, non-traditional risk management and alternative capital markets consulting.

Conning noted, however, that at present only the largest brokers are able to provide sophisticated non-traditional risk management and capital markets consulting services. "But that may change in the future," Conning says.

In terms of opportunities, Conning contends that brokers should be taking advantage of changes occurring in the alternative market.

The survey revealed that only 17% of respondents currently provide services to the alternative market. Forty-one percent of these brokers said that they see movement into the alternative markets among their national accounts, and 39.2% see this movement in their middle-market accounts.

"As a result, middle-market brokers have a golden opportunity to increase their presence in the alternative markets," the report states.

The report also examined the impact of the convergence of insurance and banking.

> *'We see these low levels of penetration as a huge opportunity for brokers who are willing to do things differently.'*
>
> — Conning & Co.

Among the brokers surveyed, only 15% are currently involved with banks. Of those, 10% are owned by banks, while the remaining 90% are involved in other banking arrangements, such as joint ventures.

But 30% of the brokers anticipate they will work with banks some time in the future, the survey says.

"With almost a third of brokers open to partnering, it seems that the initial resistance to bank involvement is lessening," Conning says.

The use of technology, specifically the Internet, will play a key role in obtaining new business for brokers, according to Conning.

Eighty percent of the respondents said that they see some role for the Internet in their commercial business.

Of those currently using the Internet with their commercial business, 66.3% use it to interface with their insurers; 46.6% use it as a sales tool; and 34.7% use it to interface with their customers. Within two years, those percentages will jump to 66.7%, 69.4% and 68.0%, respectively, respondents predicted.

•

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Get with the program.

AIG Environmental attempts to fill educational gap

New program helps agents and brokers pitch environmental products to clients

By AMANDA MILLIGAN

A leading environmental insurer is hoping to allay any trepidation agents and brokers might have about selling environmental liability insurance.

New York-based AIG Environmental, a division of American International Group Inc., is equipping local and regional agents and brokers with Tools of the Trade, a new program that focuses on selling strategies, environmental exposure data and available insurance products.

Through print and electronic communications, Tools of the Trade aims to help agents and brokers with limited access to informational resources to educate their clients about environmental liability issues and ways to transfer the risk with insurance. The program was launched last month.

"We've had an educational gap with regard to this product, and I don't think that's ever gone away," said Janet Moylan, Washington-based vp of marketing for AIG Environmental.

Many businesses believe that environmental exposures are already fully covered under their commercial general liability policies, but that often is not the case, Ms. Moylan said. She offered this analogy to explain the necessity of the cover: Refusing to buy environmental insurance is like saying that because your business has a sprinkler system, it doesn't need fire coverage, she said.

Although environmental losses are infrequent, they can be very severe, she said, warning that even the most diligent companies could experience a problem.

"Everybody should understand that environmental issues are issues that they should bring to their clients," said Joe Boren, president and chief executive officer of AIG Environmental in New York.

Environmental insurance in today's market is largely a discretionary purchase, he said. In the past, however, wary risk managers were driven to buy coverage by regulatory issues. As a result, agents became concerned that they would need to be legally savvy to sell environmental insurance, said Ms. Moylan.

AIG's program aims to "let people know this isn't rocket science and that we can help you through this," Mr. Boren said. "As we talk to people, they think it's complicated. It's like anything else. What we're trying to say is that there's nothing to be afraid of."

Agents create and nurture the client relationships, but the insurer can offer technical support to make sure clients are getting the level of protection and terms they need, Mr. Boren said.

And environmental insurance gives companies another way to approach environmental liability issues, said Mr. Boren.

For example, companies contemplating a merger or acquisition often ask for a reserve fund or indemnification against environmental losses.

An insurance broker today, however, can offer insurance cover that would trigger if an environmental issue arises on property assets from the merged or acquired company, said Mr. Boren.

"Nobody wants to buy into a problem," said Ms. Moylan. "In mergers and acquisitions—whether you're transferring a single property or a portfolio—environmental conditions, known or unknown, can be the number one reason why a transaction does not go through."

Phillip Brown, vp of McQueary Henry Bowles Troy L.L.P., a large regional broker located in Dallas, said the brokerage sees pollution coverage as a good growth opportunity.

In the past, only a small portion of his business has been environmental. The broker hopes to expand into this area to meet the needs of a flourishing real estate market in Dallas, Mr. Brown said.

Keeping up with the cutting-edge environmental risk transfer mechanisms is crucial, Mr. Brown said, because if he doesn't offer available solutions to his clients, some of his competitors might.

"It's good due diligence on our part to know that the coverage exists and that we make it available as an option," he said. "You get to be friends with a lot of these clients, and you don't want to let them down."

> *'Everybody should understand that environmental issues are issues that they should bring to their clients.'*
>
> — Joe Boren

Environmental insurance also can be a hedge for some clients, said Mr. Brown.

Mr. Brown had a client who was trying to sell a shopping center that housed a dry cleaning operation. When the purchaser conducted a study of the property, it found environmental contamination from the dry cleaner. The client, looking for a solution to cap a potential cleanup cost overrun, turned to Mr. Brown.

"(The coverage) made it possible for my client to promise to clean up that facility," he said.

Because the exposures and liabilities are industry-specific, AIG Environmental will produce industry profiles for brokers. The profiles identify environmental exposures, give an example of a claim, profile a typical customer, and illustrate the geographic concentration of the particular sector.

Ms. Moylan said five industries have already been profiled: power, waste water, fertilizer, plastics and paper/pulp. Seventy-five to 100 more profiles will be completed over the next year.

An agents-only Web site will eventually allow the agent to sort by SIC code or industry type when targeting particular clients.

"You have to understand and articulate exposures for the particular client you're talking to," she said.

Tools of the Trade's agent Web site is also stocked with all necessary environmental insurance applications.

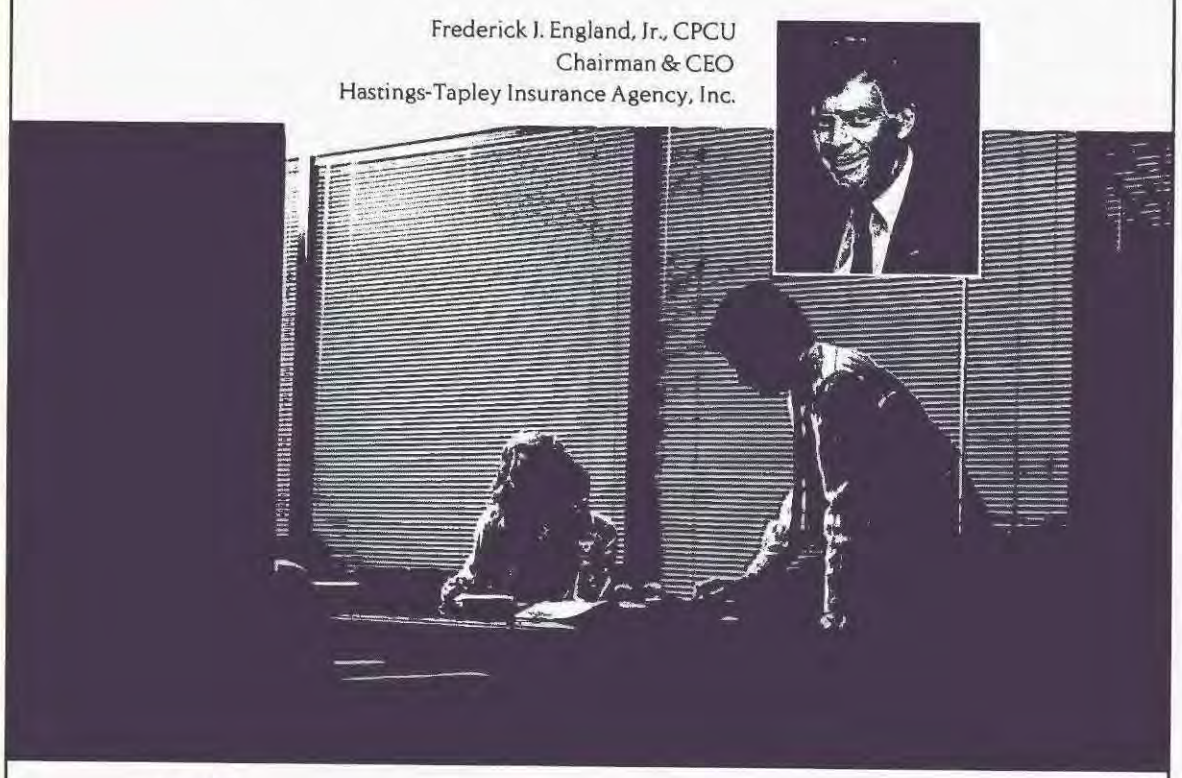
The goal, Ms. Moylan said, is eventually to use the site to supply quotes and process transactions.

For Mr. Boren, the ultimate measure of Tools' success is simple: "I want everybody who's in the brokerage business to sell environmental insurance." BI

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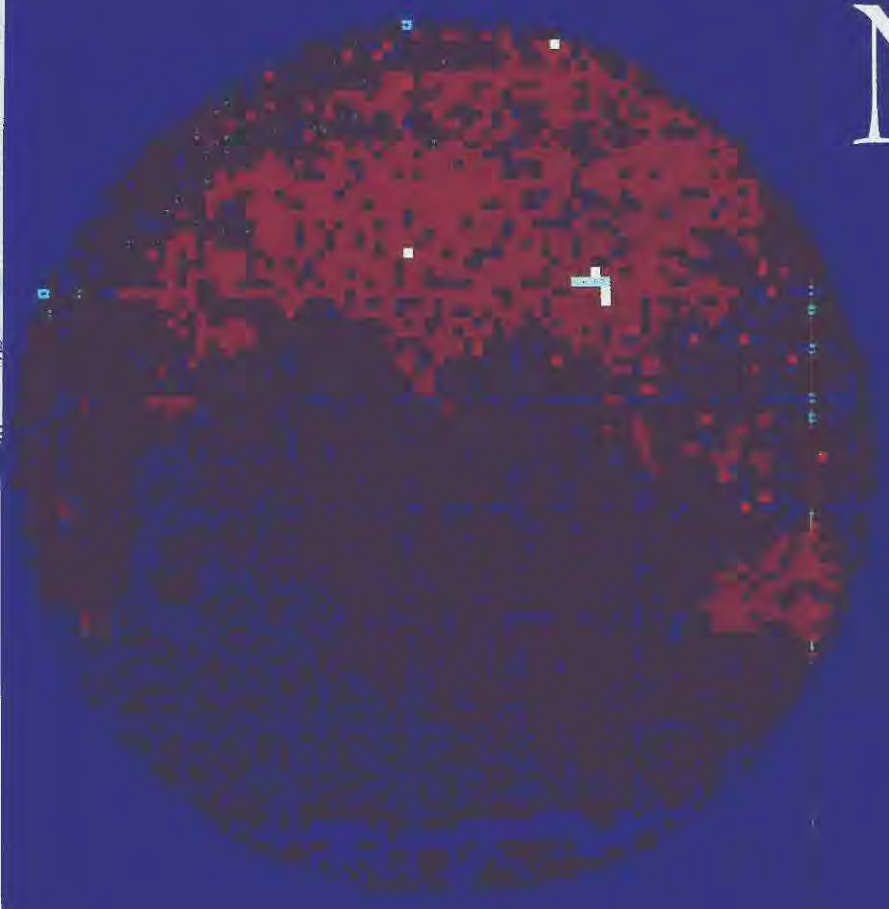
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Apr 27	Captive Managers
May 25	Environmental Risk Management Consultants
Jun 8	Alternative Risk Financing Facilities
Jun 15	EAPs & Dependent Care Resources & Referral Services
Jul 20	Agents & Brokers
Aug 3	Prescription Benefit Managers
Aug 17	Property Loss Control Consultants
Aug 31	Leading Reinsurers Worldwide
Sep 7	Surplus Lines Insurers & Wholesalers
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IIAA reviews brand

ALEXANDRIA, Va.—The Independent Insurance Agents of America Inc. has retained Addison, a San Francisco-based communications consulting firm to aid in the association's new branding campaign.

Over the next few months, the IIAA and Addison will conduct extensive research and analysis of IIAA members' position in the marketplace. Those findings will then be used to create the overall branding strategy, which will be unveiled at the IIAA's National Legislative Conference, held in Washington in May.

"The primary goal of the association in the coming year is the development of a branding strategy that will communicate to consumers nationwide the value of our independent insurance agent members," Paul A. Equale, IIAA's chief executive officer, said in a statement.

A/BT Briefs

Broker automation

MOUNT LAUREL, N.J.—Business Training Systems Inc. recently released a new automated management system, BrokerDB, specifically designed for group benefit brokers.

The new system calculates and tracks broker commissions and performs prospect marketing, contact management, customer service and other functions.

According to a company release, BrokerDB "excels in its detailed handling of often-complicated commission structures. Inbound commissions can be entered for all insurance statements or even imported. Outbound commissions are automatically calculated and split among an unlimited number of associates across varying pre-determined time intervals."

Brokers can obtain more information about BrokerDB and download a free demo version of the software from the company's Web site at www.brokerdb.com.

AMS stake acquired

WINDSOR, Conn.—AMS Services Inc. announced that Trident II L.P., a private equity investment firm, will acquire a majority equity interest in the insurance technology company.

Terms of the transaction were not disclosed.

"This is a major step forward for AMS and our ability to build a superior technology platform for insurance agencies and companies," Ken Benvenuto, CEO of Windsor, Conn.-based AMS, said in a statement. "The capital and other resources provided by Trident II will enable AMS to enhance our existing products and services, and at the same time, invest in the development of a new generation of integrated technology and information services provided to our customers over the Internet."

Members of the AMS consortium will continue to have ownership and board representation.

Broker forms unit

RICHMOND, Va.—The Rutherfoord Cos., a Richmond-based broker, has formed a wholly owned risk management subsidiary, Rutherfoord Assurance Services Corp.

Headed by G.E. Robertson Stiles II, the new division will offer services to help clients protect their productivity, efficiency, market share and value with effective risk control, claims initiatives and strategic management of operational risks, according to a company statement.

"The formation of this subsidiary represents a very exciting service innovation in commercial insurance and our company," Rutherfoord President Thomas R. Brown said in the statement. "Rutherfoord Assurance Services offers an enlightened way to manage risk."

Changing courses

CHICAGO—Certain property/casualty courses offered by The Rough Notes Co. Inc. will now be distributed through Dearborn Financial Publishing Group Inc.

The partnership agreement was reached last month. It gives Chicago-based Dearborn, a leader in the life/health insurance licensing and continuing education sector, a strong presence in the property/casualty arena, while providing Indianapolis-based Rough Notes a national sales and marketing network for its materials.

The courses, which will be co-branded with the Dearborn name, will be available in January 2000. For more information, call 800-824-8742.

HRH deal finalized

GLEN ALLEN, Va.—HRH of Connecticut Inc. recently completed its acquisition of substantially all of the operating assets of Insurance Concepts of Connecticut Inc., an agency specializing in employee benefits.

HRH of Connecticut is the New Haven office of Glen Allen-based broker Hilb, Rogal & Hamilton Co.

Terms of the transaction were not disclosed.

PIA value meeting

ALEXANDRIA, Va.—The National Assn. of Professional Insurance Agents and its Company Council of Executive Officers will host a working conference in St. Louis on Jan. 13-14 to develop the second module in the PIA's series "The Value Difference."

The series, introduced during the PIA's 1999 annual conference, aims to provide tools that help agencies ensure their future success. The first phase helped agents and insurers better understand the difference between strategic and tactical planning and included a self-evaluation process. Results from that phase will be released at the working conference.

The second phase will focus on changing agency culture.

"The insurance industry is undergoing a dramatic period of change, and with it comes the need for agencies to successfully manage that change," Larry Acord, co-chair of the CCEO and vp of National Grange Mutual Insurance Co., said in a statement. "It is critical that agencies and companies work together in partnership to develop the tools to manage change." BI

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Insurers embark on the path to a paperless office

By MICHAEL PRINCE

What do the Loch Ness Monster, Bigfoot and the paperless office have in common? They all are myths.

The paperless office, however, might one day become a reality.

People—particularly policyholders—are comfortable with paper, said Lynn Walker, vp with Policy Management Systems Corp. in Blythewood, S.C. For policyholders, paper is "the proof of purchase," Ms. Walker said. For that reason, it is not likely to disappear in the future, she said.

> *The transformation to a paperless office can't occur until an insurer has established a fully functional electronic system.*
>
> — Lynn Walker

That factor "presents the most-difficult obstacle in implementing a paperless office," she said during a seminar at the CPCU Society's 55th annual meeting, held in October in Boston.

Nevertheless, insurers still should strive for a paperless office, she said, adding that they might find such a change necessary as e-commerce becomes more pervasive.

One advantage of the paperless environment is that it saves office space. One-third to one-half of office space is dedicated to paper storage, Ms. Walker said. In addition, moving to a totally electronic business saves money on paper and improves the work flow, she said.

A number of factors have prevented insurers from converting to a paperless office. Probably the most significant hindrance is that most insurance functions are triggered by paper, from policy applications to claim submissions to billing.

Also, the transformation to a paperless office can't occur unless an insurer has established a fully functional electronic system, Ms. Walker said. "Most carriers do not have systems in place that support electronic work flows," she said.

And, due to certain legal requirements, insurers currently must retain paper versions of policies.

But the rise of e-commerce may force insurers into a less paper-driven world. As more business is transacted over the World Wide Web, insurers will have to keep pace and allow for Internet transactions, such as the processing of coverage applications and the distribution of information to policyholders, Ms. Walker said.

"If we don't become major (Internet) players, someone will come in and take our place," she said.

This shift to the exchange of information with policyholders and agents over the Internet will reduce insurers' reliance on paper. And, internally, paper forms will be replaced with electronic files, "so the information is available to any authorized person at any time," Ms. Walker said.

If you're not on the Internet, "you're going out of business," said Bruce Marlow, president of independent agency markets for Allstate Insurance Co. in Northbrook, Ill.

But changing the work flow can be difficult.

Ms. Walker said that it is important to make sure that all affected employees are trained on the new system and are informed as to why their jobs have changed.

Nevertheless, the benefits will outweigh the problems, she said. Going paperless will eliminate the need to store and keep track of paper files. It also will reduce the number of errors from data entry—as well as the work involved in correcting such errors—and will eliminate redundant data entry, Ms. Walker said.

One major advantage of a paperless work flow is that it increases customer satisfaction, said Anthony Cioffoletti, president of the Business Technology Alignment Group in Armonk, N.Y.

By improving customer satisfaction, companies can increase their market share and improve profits, he said.

A paperless office allows the sharing of data with "anyone who touches the client," Mr. Cioffoletti said. This lets insurers respond more quickly to questions from clients, improving service and creating happier customers who are less likely to change insurers, he said.

See **Paper** *on next page*

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Companies urged to address terrorism exposures

Awareness and planning are crucial, security experts advise

By MICHAEL PRINCE

When it comes to protecting themselves from terrorism, businesses should not depend on the government as their only defense, two security experts say.

Although law enforcement agencies aggressively investigate terrorist threats, companies still need to take precautions to protect themselves against the rising number of terrorist acts committed in the United States each year, the experts said at a seminar at the CPCU Society's 55th Annual Meeting, held in October in Boston.

Terrorists want to shock the public with their acts, said Daniel Hopwood, vp-risk control strategies for Marsh Inc. in La Jolla, Calif. Terrorists try "to grab our attention. To derail processes. To derail governments," Mr. Hopwood said.

Recent years have seen several particularly heinous acts, such as the World Trade Center bombing in 1993, the Oklahoma City bombing in 1995 and the bombing of two U.S. embassies in 1998. But, Mr. Hopwood said, interest in terrorism peaks shortly after an event and, unfortunately, then subsides, as does attention to anti-terrorism efforts.

"The further away we are from an event, the less likely we will be prepared," he said.

This is not wise, though, given the number of terrorist bombings in the United States, most of which don't receive big headlines, said Leonard Cross, director of business development for International Security Systems in Peabody, Mass. From 1991 through 1997, 18,998 bombings occurred in the United States. These caused 369 deaths, 3,500 injuries and $663 million in total property damage, of which $500 million stemmed from the World Trade Center bombing, said Mr. Cross.

A bombing is the most common type of terrorist act, but nuclear, biological or chemical attacks also may occur, said Mr. Hopwood.

And the types of threats are changing. For example, "cyberterror" is a new threat that the FBI and some companies have begun to focus on, he said. Moreover, in the past, a terrorist would commit an act to make a specific statement. Increasingly, though, the acts are performed to create massive destruction and loss of life.

To see the future of terrorism, Mr. Cross said, one should look overseas. Terrorists' strategies tend to start in Europe and the Middle East and then migrate to the United States. The large-scale bombings in Oklahoma City and the World Trade Center were the first of that type in the United States, but similar explosions had occurred previously elsewhere, he said.

> *A company should ask itself whether it faces any threat from 'a group out there that has a bone to pick.'*
>
> — Daniel Hopwood

In trying to protect against a terrorist act, it is important to keep in mind that terrorists are intelligent and know how to cause significant damage using small explosives, Mr. Cross said.

"They do their homework," he said.

To illustrate his point, Mr. Cross, a former FBI agent, showed a notebook created by an anti-corporate terrorist group in the early 1980s. The book details the location, operations and vulnerable areas of numerous corporate headquarters in the United States. Such details could help a terrorist group infiltrate a building and identify the place to detonate an explosive device that would cause maximum damage.

To demonstrate the power contained in a conventional explosive device, Mr. Cross displayed a section of the foot-thick concrete floor from the parking garage under the World Trade Center. The car bomb ripped through a half-dozen such floors. Five people were killed, and about 1,000 were injured, he said.

The terrorists' goal, he said, was to crash one of the center's towers into the other, toppling both onto nearby Wall Street.

But companies are not helpless. For a start, Mr. Cross recommended that an organization turn a watchful eye toward its Web site. Many sites contain information, such as floor plans, that is helpful to potential terrorists. A terrorist "can do a lot of preliminary surveillance work" over the Internet, Mr. Cross said. Removing that information may help prevent them from doing so, he said.

"Marketing needs to talk to loss prevention" to eliminate from the Web site any information that may be of use to terrorists, he said.

Also, it is vital to be aware of who might pose a threat to an organization. A company that is self-aware has an advantage over others, Mr. Hopwood said.

Each organization must recognize where threats might originate and assess their validity. A company should ask itself whether it faces any threat from "a group out there that has a bone to pick," he said.

Having a plan to safely evacuate a building when a bomb threat has been made is essential, Mr. Cross said. For example, he said that during one bomb threat, a company's employees were evacuated through the stairwell that contained the bomb. This, of course, should be avoided, he said.

Mr. Cross noted that pre-employment screening also is important to identify potential terrorists.

In addition, he said, restricting access to areas of the building to only certain employees is another strategy a company may want to employ. BI

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Continued from previous page

And the Internet is a low-cost way to market and sell insurance, which helps to boost profits, he added.

In fact, paper is no longer much of a necessity, Allstate's Mr. Marlow said. With the exception that paper policies must be retained, "there is no reason you need paper internally," he said.

Insurers, he said, are in the business of making promises. "We're not talking about steel mills," he said. "This is not a service that requires a physical embodiment of things."

Paper has many strong points for data storage, he noted, because it is portable and easy to read and use. But it also can be lost, destroyed and easily altered, and the advantages of electronic data storage outweigh those of paper, he asserted.

Mr. Marlow admitted that converting to a paperless business is not an easy process. Many people will resist such change, he said, primarily because their roles will disappear along with the old methods.

"When you change to a good technological system, lots of jobs go away," he said.

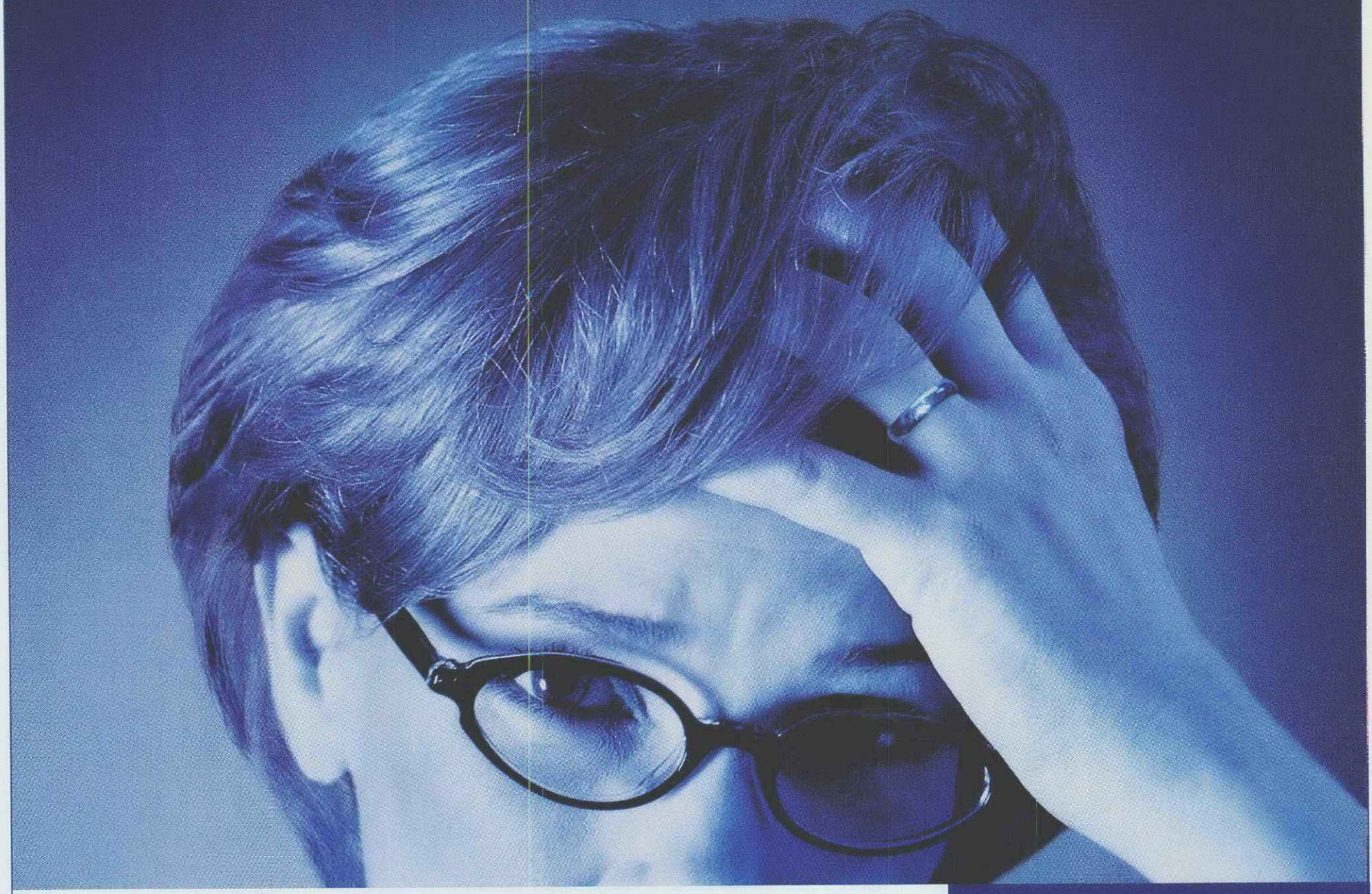
Mr. Marlow recommended making a big transition—doing it all at once, rather than going about the change in piecemeal fashion.

"Tinkering rarely works," he cautioned.

To make the change to a paperless office successful, it's important to understand the work process and what can be eliminated from it.

In addition, he recommended that top management be involved in choosing the new technology. These individuals, he said, should be the ones who determine what the business is capable of doing. BI

www.hmo? ppo? pso?
I just don't know.com

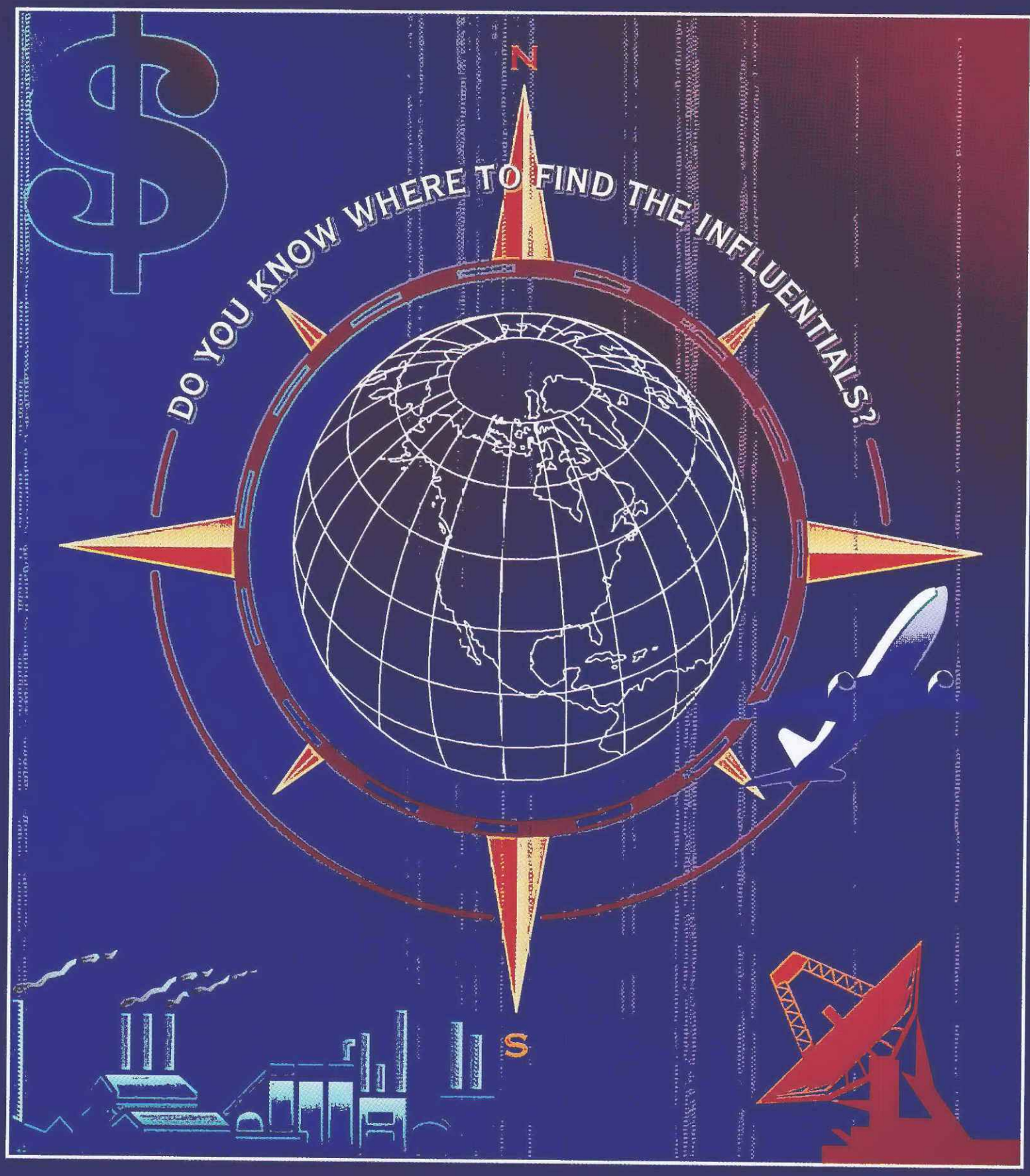


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Business Insurance
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Continued from page 28

porting; loss triangulations; policy management; total cost of risk allocations; diary functionality; litigation management; graphical reporting; open architecture; client/server architecture; Internet connectivity; online help; object linking and embedding; clipboard support; scanning functionality.

Optional features: customization and integration with other applications; first report of injury forms; certificate tracking and claim profiling.

User support: user group meetings, onsite training*, telephone assistance available 12 hours a day*, dial-up support and training, e-mail.

■ STARGate

System requirements: IBM-compatible PC system, Windows, Oracle.

Online system.

Customization optional.

First installation: 1990.

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

Features: collection, consolidation and enhancement of risk information from one source to another; data processing; mapping; quality routines to ensure quality information.

User support: user group meetings, onsite training*, telephone assistance available 12 hours a day*.

■ STARSWeb

Price: $35,000.

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

Online system.

Customization optional.

First installation: 1998.

Total installations: 10, all in corporate risk management departments.

Claims/coverage managed: general liability, workers compensation, property, auto, casualty, incident tracking, professional liability, employers liability, E&O, D&O, products liability.

Features: web access to existing STARS information; STARS claim information; distribution of reports electronically.

User support: user group meetings, onsite training*, telephone assistance available 12 hours a day*.

Staff: 157 total, 140 professionals.

Clients: 377 total, all in corporate risk management departments, 45 new systems sold in 1998.

Branch offices: Los Angeles; San Francisco; Stamford, Conn.; Atlanta; Chicago; Nashville, Tenn.; Detroit; Minneapolis; Cleveland; Philadelphia; Pittsburgh; Memphis, Tenn.; Dallas; Toronto; London.

1998 revenue: $18.5 million total, all from risk management information system sales and service, 100% from software services.

Officers: Robert G. Petrie III, David Undis, managing directors; Patrick J. O'Neill, Jeffrey Markowitz, senior vps.

Contact: Patrick J. O'Neill, 404-586-8340 or Jeffrey Markowitz, 44-171-357-5754 (London).

MountainView Software Corp.

1133 N. Main, Suite 103,
Layton, Utah 84041;
888-533-1122; fax: 801-544-3138
www.mvsc.com

Risk management systems since: 1995.

■ Workers Companion

Price: $2,500.

System requirements: IBM-compatible PC system, Windows.

Customization optional.

First installation: 1995.

Total installations: 6,000, 5,000 in corporate risk management departments.

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

Features: claims administration for workers comp.; liability and disability; first report of injury for all 50 states; OSHA 200; fully capable electronic data interchange; Internet e-mail support for sending claims; business rules module; loss/run reporting; ad-hoc report builder; graphing and charting; remote data capture; importing and exporting to/from various formats; spell checker.

Optional features: customized interfaces to other software products.

User support: onsite training, telephone assistance available 24 hours a day, Web site, e-mail.

Staff: 6 total, 5 professionals.

Clients: 5,500 total, 3,000 new systems sold in 1998.

Officers: Steve Schmutz, president; Terry Preece, vp; Evan Schmutz, corporate secretary.

Contact: Steve Schmutz, steve@mvsc.com.



Near North Insurance Brokerage Inc.

875 N. Michigan Ave., Suite 1900,
Chicago, Ill. 60611;
312-280-5600; fax: 312-180-5602
www.nnng.com

Risk management systems since: 1995

Parent: Near North National Group

■ WorldLink

Price: $475 per subscription group.

System requirements: IBM-compatible PC system, DOS, Windows, Internet.

Online system.

First installation: 1996.

Total installations: 500, 60 in corporate risk management departments.

Features: information on more than 180 countries; information country by country on insurance changes; general insurance; property and casualty regulations; bonding and marine regulations; captive domiciles; social security legislation; customized reports.

User support: telephone assistance available eight hours a day*, e-mail assistance.

■ Benefit Enrollment System

System requirements: IBM-compatible PC system, Internet server.

Online system.

First installation: 1998.

Total installations: 15,

Claims/coverage managed: benefit enrollment and communications, optional insurance and financial service products, OSHA testing and education.

Optional features: OSHA training and testing.

User support: user group meetings, onsite training, telephone assistance available 12 hours a day.

Staff: 30 total, 28 professionals.

Clients: 85 total,

Branch offices: Los Angeles; Washington; Las Vegas; New York; Dallas.

Officers: Michael Segal, CEO/chairman; Matt Walsh, Dana Berry, Devra Gerber, group executive vps/managing directors.

Contact: Kristen Vecchio, 312-280-7243.

Nichols

6360 I-55 N., Suite 300,
Jackson, Miss. 39211;
800-228-7401; fax: 601-899-7070
www.nichols.com/commercial

Risk management systems since: 1985

Parent: Nichols Research Corp.

■ PACCASSO

System requirements: IBM-compatible PC system, Windows, UNIX, AS/400.

Customization optional.

First installation: 1985.

Total installations: 150,

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

Features: property/casualty and workers comp claims administration; claims processing; loss development; loss forecasting; policy tracking; experience rating; reserve tracking; risk analysis; self-insurance; deductible billing; loss trending; safety and loss control; incident reporting; report generation (statistical, severity, repeaters, productivity, loss, etc.); online reconciliation; transaction registers; recoveries; reinsurance; subrogation; check processing; diary; notes; litigation management; patient tracking; check processing; duplicate checking; vendor records; data security; forms production; medical bill review; 1099; statutory reporting; Y2K and ODBC compliant; Internet enabled.

Optional features: internet-based insured inquiry and report distribution utility that is integrated to the PACCASSO claims data structure.

User support: user group meetings, onsite training, telephone assistance available 9.5 hours a day.

Staff: 40 total.

Clients: 15 total, 12 in corporate risk management departments, 18 new systems sold in 1998.

1998 revenue: 10% from software sales, 65% from software services.

Officers: Michael Mruz, CEO; Chris Henderson, commercial IT, vp; Chris Horgen, chairman.

Contact: Darryl Pieroni, manager-business development, 800-228-7401.



OCI

2232 Dell Range Blvd., Suite 300,
Cheyenne, Wyo. 82009;
307-635-2777; fax: 307-634-0828
www.oci.com and www.imis.com

Risk management systems since: 1996.

Parent: UNUMProvident Corp.

■ IRMIS (Integrated Risk Management Information System)

Price: $50,000 to $200,000.

System requirements: IBM-compatible PC system, Windows, Internet.

Online system.

Customization optional.

First installation: 1996.

Total installations: 1,700.

Claims/coverage managed: general liability, workers compensation, property, auto, casualty, short-term disability, long-term disability, sick leave, group health, OSHA, exposure health and safety, human resource/demographics, premium.

Features: integrated and Internet-based system for management reporting and distribution of workers comp; property/casualty and/or employee benefit information; Internet-based ad-hoc report generator; integrated analysis across all data elements including complex regression and other statistical analysis; claims management feature; premium/exposure reporting and integration with claims data; Internet-based creation of loss triangles and valued "as of" reporting; customized data and report applications; Internet-based input applications for claims data and/or premium and exposure data; nternet-based management report outputs in various software outputs; complete security with encryption; digital certificate/user authentication and firewalls.

User support: user group meetings*, onsite training*, telephone assistance available 12 hours a day*, analytic decision support.

Staff: 58 total, 45 professionals.

Clients: 400 total.

Branch offices: San Francisco; Hartford, Conn.; Chicago; Raleigh, N.C.; Dallas.

Officers: Harold H. Gardner, president/CEO; Michael A. Turner, vp-business development; Christopher M. Barlow, vp-software development.

Contact: Michael A. Turner, 815-334-8564, mike_turner@oci.com.



PerDatum Inc.

4098 Main St.,
Hilliard, Ohio 43026;
614-777-4636; fax: 614-777-4650
www.perdatum.com

Risk management systems since: 1994.

■ PROGNOS-MCO

Price: $35,000.

System requirements: IBM-compatible PC system, Windows.

Customization optional.

First installation: 1997.

Claims/coverage managed: workers compensation, claim marketing, case management, managed care.

Features: claims administration; case management; fee bill recording and processing; recording and tracking of diagnostic data and allowed conditions; treatment plans; provide profiling; online ICD-9; CPT and HCPCS code databases; customized report writing.

Optional features: first reports of injury; employee health; nurses log; treatment planning; check writing; 1099 processing; fee bill repricing; electronic submission of first reports of injury and fee bills.

User support: user group meetings*, onsite training, telephone assistance available 10 hours a day.

■ PROGNOS-Administrator

Price: $15,000.

System requirements: IBM-compatible PC system, Windows.

Customization optional.

First installation: 1994.

Claims/coverage managed: workers compensation, safety and occupational health management.

Features: claims administration; case management; fee bill recording and processing; recording and tracking of diagnostic data and allowed conditions; treatment plans; provider profiling; online ICD-9; CPT and HCPCS code databases and customized report writing.

Optional features: first reports of injury; employee health; nurses log; treatment planning; check writing; 1099 processing; fee bill re-pricing; electronic submission of first reports of injury and cost information.

User support: onsite training, telephone assistance available 10 hours a day.

■ PROGNOS-Professional

Price: $1,000.

System requirements: IBM-compatible PC system, Windows.

Customization optional.

First installation: 1994.

Claims/coverage managed: workers compensation, safety and occupational health.

Features: claims administration; case management; incident investigation and transitional work management; forecasting and prevention; safety and loss control; summary cost recording and reserve tracking and customized report writing.

Optional features: state specific first reports of injury; employee health and nurses log.

User support: onsite training, telephone assistance available 10 hours a day.

Staff: 10 total, 6 professionals.

1998 revenue: 85% from software sales, 15% from software services.

Officers: Mark Tochtenhagen, president; Leo Renner, CFO; Mike Hedge, chief information officer.

Contact: Mark Vermeulen, vp-sales/marketing.

Pyramid Services Inc.

39 Old Ridgebury Road. Suite P4,
Danbury, Conn. 06810;
203-743-6000; fax: 203-743-6003
www.pyramidservices.com

Risk management systems since: 1987

Parent: Kemper Insurance Cos.

■ Pyramid for Windows

System requirements: Windows NT.

Customization optional.

First installation: 1987.

Total installations: 15,000.

Claims/coverage managed: general liability, workers compensation, property, auto, casualty, all other lines of coverage.

Features: native OLE support; work flow and image enabled; n-tier architecture; claims administration; matrix user security; user defined business rules; user-defined views; Internet-based first report of loss submission package; customizable interview scripts; fraud indicators; integrated banking system; real-time payment and check generation; invoicing system supporting recovery subrogation and collections operations; prints checks and explanation of business forms for providers; employee absenteeism administration; benefit calculations; state regulatory calculations; unlimited diary/file notes; supports industry standard treatment protocols; linking multiple lines of business under one event; user-defined search engine; policy verification; diary administration from calendar; card file administration of organizations and people associated with claim; online productivity statistics; secure access to policyholders and agents for viewing via the Internet; excess and reinsurance tracking and reporting; data warehousing; multilingual; multicurrency; untethered user support.

Optional features: application suites: Call Center Solutions; first report of injury; claims administration; non-occupational disability; medical case management; medical bill review; policy administration and health care benefits administration.

User support: user group meetings, enhanced support levels available.

Staff: 115 total, 38 professionals.

Clients: 300 total.

1998 revenue: $13 million total, 65% from software sales, 35% from software services.

Officers: William Kuebler, CEO; Willoughby Chesley, COO; James Hatch, chief technology officer.

Contact: Tami Cramer.



Risk Laboratories L.L.C.

278 N. Marietta Parkway,
Marietta, Ga. 20060;
770-590-5173; fax: 770-590-5174
www.risklabs.com

Risk management systems since: 1994.

■ RiskFolio

Price: $30,000 to $200,000.

System requirements: IBM-compatible PC system, Windows.

Online system.

First installation: 1994.

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

Features: claims; policies; exposures; modules for incoming and outgoing certificates; reporting from all modules; enabling a comprehensive and contextual cost-of-risk analysis.

Optional features: rf.net incident and exposure reporting, dashboard; publisher and production module.

User support: onsite training, telephone assistance available 9 hours a day, upgrades, consulting services.

Staff: 25 total, 23 professionals.

Officers: George Netherton, chairman; Jan Ozer, president; Tom Pickhardt, vp-sales.

Contact: Tom Pickhardt, 770-890-5173, ext. 315, tpickhardt@risklabs.com.

Risk Sciences Group Inc.

1900 E. Golf Road, Suite 700,
Schaumburg, Ill. 60173;
800-619-0224; fax: 847-619-0534
www.risksciencesgroup.com

Risk management systems since: 1978.

Parent: Crawford & Co.

■ Sigma Suite

Price: $30,000 to $75,000.

System requirements: IBM-compatible PC system, Windows.

Online system.

Customization optional.

First installation: 1978.

Total installations: 290, 275 in corporate risk management departments.

Claims/coverage managed: general liability, workers compensation, property, auto, casualty, all other lines of coverage.

Features: Internet access to claim creation and edit; location management including C.O.P.E. characteristics; template and ad hoc reporting; automatic report scheduling and distribution; exposure management and reporting; point-in-time reporting; automatic interface to Excel and CSV formats; loss development and trending; user-defined data capture and reporting; policy management.

Optional features: cost of risk/premium allocation; customized loss triangulation; benchmarking workers compensation claim data; FROI including EDI; certificates of insurance; graphs.

User support: user group meetings*, onsite training*, telephone assistance available 10 hours a day*, data consolidation and management, enterprise data integration.

■ ParaRisk Suite

Price: $50,000 to $75,000.

System requirements: IBM-compatible PC system, Windows.

Customization optional.

First installation: 1994.

Total installations: 38, all in corporate risk management departments.

Claims/coverage managed: general liability, workers compensation, property, auto, casualty, all other lines of coverage.

Features: complete claims administration; reserving and check writing; diary and adjuster notes; standard and ad-hoc reporting; word processing and spreadsheets; location management; policy management; user-defined forms and coding; multiple entity coding structure; executive-level graphs; online lists and graphs with automatic detail drilldown.

Optional features: FROI, including electronic data interchange; certificates of insurance; property/exposure management; outsourced data and application management.

User support: user group meetings*, onsite training*, telephone assistance available 10 hours a day*, data consolidation, enterprise data integration.

Staff: 110 total, 92 professionals.

Clients: 325 total, 309 in corporate risk management departments, 26 new systems sold in 1998.

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

1998 revenue: $17.5 million total, all from risk management information system sales and service, 5% from software sales, 95% from software services.

Officers: Michael E. Saladino, managing director.

Contact: Kenneth C. Ancona, national marketing manager, ken_ancona@us.crawco.com.

Risk Technologies Inc.

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

Risk management systems since: 1988.

■ RiskVision

Price: $75,000 to $250,000.

System requirements: IBM-compatible PC system, Windows, UNIX, Novell, MacIntosh.

Customization optional.

First installation: 1988.

Total installations: 200, 150 in corporate risk management departments (estimates).

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

Features: claims administration; check processing; custom claim input screens; check writing; vendor management and electronic transmission of 1099 information to IRS; electronic bank reconciliation transmissions and imprest fund management; custom reports; ad hoc report generation; report writer; data export/import to other software and files; remote access; exposure information management; premium management; policy management; cost allocation; loss development; loss control; OSHA reporting/record keeping; state fee schedule verification and payment discounting and form letter generator.

Optional features: real-time integration with PeopleSoft; Oracle; etc.; human resource systems; custom information management as defined by each customer.

User support: user group meetings*, onsite training*, telephone assistance available 12 hours a day*.

■ RiskVision TPA

Price: $150,000 to $500,000.

System requirements: IBM-compatible PC system, Windows, MacIntosh.

Online system.

First installation: 1988.

Total installations: 35, 15 in corporate risk management departments.

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

Features: check writing; vendor management and electronic transmission of 1099 information to IRS; electronic bank reconciliation transmissions and imprest fund management; custom reports; ad-hoc report generation; report writer; data export/import to other software and files; remote access; exposure information management; premium management; policy management; cost allocation; loss development; loss control; OSHA reporting/record keeping; state fee schedule verification and payment discounting and form letter generator.

* Included in system price.

Continued on next page

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Optional features: custom information management as defined by each customer.
User support: user group meetings, onsite training, telephone assistance available 12 hours a day.
■ RiskVision EDI
Price: $75,000 to $500,000.
System requirements: Web-enabled browser/Internet access.
Online system.
First Installation: 1992.
Total installations: 150**, 75** in corporate risk management departments.
Claims/coverage managed: general liability, workers compensation, property, auto, casualty.
Features: electronic data consolidation conversion; exchange to a variety of TPAs, insurance companies, regulatory agencies and industry organizations; data is converted and edited to client- or industry-specific formats; available for review; analysis and reporting via the World Wide Web.
Optional features: real-time interface with insurance company, TPA or client legacy database; integration with human resources systems.
User support: user group meetings*, onsite training*, telephone assistance available 12 hours a day*.
■ RiskVision EAS
Price: $25,000 to $50,000.
System requirements: IBM compatible PC system, Windows, Macintosh.
First Installation: 1992.
Total installations: 20**, 15** in corporate risk management departments.
Features: window based executive analysis system adaptable to any RiskVision claims gathering product. Customer-specific SQL query tools for reporting; analysis and graphing from the RiskVision data as well as internal client data and legacy systems.
User support: user group meetings*, onsite training*, telephone assistance available 12 hours a day*.
Staff: 15 total, 11 professionals.
Clients: 250 total**, 150** in corporate risk departments, 16 new systems sold in 1998.
1998 gross revenues: 3% from hardware sales; 64% from software sales, 33% from software services.
Officers: Chuck Allen, president; R.J. Mallette, vp-product development/marketing; Ron Watts, vp-customer services.
Contact; R.J. Mallette, 817-477-2197 ext. 102; rj_mallette@riskvision.com.
**Estimate.*

RISKTRAC Inc.

230 Commerce Way,
Portsmouth, N.H. 03801;
603-422-0444; fax: 603-433-4676
www.risktrac.com
Risk management systems since: 1982.
Parent: Liberty Mutual Insurance Co.
■ Nxt.com
System requirements: IBM-compatible PC system, Windows, Internet.
Online system: Yes.
Customization optional.
First Installation: 1999.
Total installations: 1,600, 1,300 in corporate risk management departments.
Claims/coverage managed: general liability, workers compensation, property, auto, casualty, group short- and long-term disability.
Features: Web-enabled RMIS accessible via the Internet or private dial-up connection; claim inquiry; real-time access to adjuster notes; daily updates of claim and payment information; access to managed care rehabilitation nurse information; reserve changes and calculations; customized data capture with unlimited user-defined field; electronic communication; data consolidation; 36 standard reports; report scheduler; ad hoc report writer including graphics; data download into word processing; spreadsheet and database formats.
Optional features: EIS; SafetyVision.
User support: user group meetings*, onsite training, telephone assistance available 13 hours a day*, online help system, user guide, training guide.
■ EIS
System requirements: IBM-compatible PC system, Windows, Internet.
Online system.
Customization optional.
First installation: 1998.
Total installations: 100.
Claims/coverage managed: general liability, workers compensation, property, auto, casualty.
Features: top-down approach to viewing claims and loss information; drill down on information and receive graphical and tabular presentation of claims information for single or multiple lines of business; trend information to view patterns in claims data; set alerts that provide electronic messaging notifying important events as they occur; establish internal and external distribution of alert notifications via e-mail.
Optional features: Nxt.com; SafetyVision.
User support: user group meetings*, onsite training, telephone assistance available 13 hours a day*, online help system, user guide, training Guide.
Clients: 700 total, 600 in corporate risk management departments.
Contact: Alicia Rawnsley.

RSKCo

333 S. Wabash,
Chicago, Ill. 60604;
800-727-3071; fax: 312-817-1048
www.rskco.com
Risk management systems since: 1996.
Parent: CNA Financial Corp.
■ Clearview
Price: $12,000.
System requirements: IBM-compatible PC system, Windows.
Online system.
Customization optional.
First Installation: 1995.
Total installations: 740, 340 in corporate risk management departments.
Claims/coverage managed: general liability, workers compensation, property, auto, casualty, integrated disability management.
Features: individual claims viewing; real-time adjuster notes; loss development, including loss triangles; standard and custom reports; drill-down features; customer-specific data through custom reporting function; view and print location structures; communications with adjusters through notes and diaries and Internet delivery.
User support: user group meetings, onsite training, telephone assistance available 11 hours a day*.
■ RSKTEK
Price: $12,000.
System requirements: IBM-compatible PC system, Windows.
Online system.
First Installation: 1995.
Total installations: 111, 50 in corporate risk management departments.
Claims/coverage managed: general liability, workers compensation, property, auto, casualty, integrated disability management.
Features: individual claims viewing; real-time adjuster notes; detail payment review; loss triangles; standard and custom reports; drill-down features; customer-specific data can be input or imported into the database; communication with adjusters through Internet and e-mail; diary/Internet delivery.
User support: user group meetings, onsite training, telephone assistance available 11 hours a day*.
Staff: 45 total.
Branch offices: Livonia, Mich.
1998 revenue: $11 million from risk management information system sales and service, 100% from software sales.
Officers: Robert Kulbick, CEO; Randall Hollenbeck, senior vp; George D. Keebler, senior vp.
Contact: Nancy B. Gicewicz, assistant vp/senior consultant-consulting services; 312-822-6442.

S

Specialty Risk Services

Goodwin Square, 225 Asylum St.,
16th Floor, Hartford, Conn. 06103;
860-520-2500; fax: 860-520-2503
www.specialtyriskservices.com
Risk management systems since: 1992
Parent: Hartford Financial Services Group Inc.
■ LASER (Loss Analysis System to Evaluate Risk)
Price: $18,000.**
System requirements: IBM-compatible PC system.
Online system.
Customization optional.
First Installation: 1992.
Total installations: 500, all in corporate risk management departments.
Claims/coverage managed: general liability, workers compensation, property, auto, casualty, products liability.
Features: claim management and risk analysis via online inquiry capabilities; access to adjuster notes; e-mail communication; formatted and ad hoc report generation; as-of reporting.
Optional features: formatted and ad hoc risk financing (triangles and development factors); benchmarking; data conversion/consolidation (current and historical); customer/vendor data interfaces.
User support: user group meetings*, onsite training, telephone assistance available nine hours a day*, computer-based training (self-contained tutorial).
Staff: 41 total, 36 professionals.
Clients: 250 total, 40 in corporate risk management departments.
Branch offices: Los Angeles; Chicago; New York; Dallas.
1998 revenue: $7.2 million total; 100% from software services.
Officers: Dennis Replogle, president; Stephen Holcomb, senior vp; Jim Leonard, senior vp-account management.
Contact: Will Warren, manager-risk management information consulting; 860-520-2507; will.warren@thehartford.com.
**Estimate.*

Specific Software Solutions L.L.C.

P.O. Box 1007,
Brentwood, Tenn. 37024-1007;
615-376-5110; fax: 615-376-5117
www.specificsoftware.com
Risk management systems since: 1990.
■ Modmaster 2000
Price: $299 to $699.
System requirements: IBM-compatible PC system, Windows.
Customization optional.
First installation: 1990.
Claims/coverage managed: workers compensation.
Features: computes and analyzes workers compensation modification factors; can use data from clients' core risk management systems to compute mods; includes a complete database of experience rating data, as well as preformated reports and graphs to explain mods.
User support: telephone assistance available six hours a day*.
Staff: 5 total, 4 professionals.
Officers: Timothy L. Coomer, president; Al Rhodes, senior actuary; Kory Wells, director-product development.
Contact: Timothy L. Coomer.

Star Tech Software Systems Inc.

3016 U.S. Highway 301 N.,
Tampa, Fla. 33619;
800-963-3062; fax: 813-626-1557
www.startechsoftware.com
Risk management systems since: 1997.
Parent: FDI Group Inc.
■ Eclipse
Price: $25,000 to $35,000.
System requirements: IBM-compatible PC system, Windows.
Customization optional.
First Installation: 1982.
Total installations: 50, 25 in corporate risk management departments.
Claims/coverage managed: general liability, workers compensation, property, auto, casualty, short-term disability, medical bill reviews.
Features: claims administration; loss forecasting; loss prevention; policy tracking; reserve tracking; ratio-based analysis; deductible tracking; multi-level organizational reporting; notes by classification; diaries; audit trails; legal module; state-defined electronic data interchange; OSHA tracking, including 101 and 200 logs; complete host time; laser check and voucher printing; multi-level account based security; report generation; data analysis; ad hoc reporting with output to multiple file formats; complete audit trails; journal/diary.
Optional features: state forms module; reinsurance module; client billing for bill review; case management interface.
User support: user group meetings*, onsite training, telephone assistance available 10 hours a day, dial-in capabilities, newsletter.
Staff: 20 total, 19 professionals.
Clients: 22 total.
Branch offices: Novi, Mich.
Officers: Mark Churella, president/CEO; Scott Settle, COO; Dana Larkin, chief information officer.
Contact: Janice Lockridge-Williams, national director-sales, 800-963-3062 ext. 237, or 727-906-0620; jlwilliams@startechsoftware.com.

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www.tecnorisk.com
Risk management systems since: 1996.
Parent: Risk Management Services Inc.
■ TECNO Claims P&I Plus
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First Installation: 1996.
Total installations: 18.
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Features: claims administration; loss prevention; policy tracking; reserve tracking; check processing, including scheduled payments; retention analysis, including "as if"; marine index bureau reports; litigation management; diary; safety department analysis of recordable cases; trending module for crew injuries; certificate tracking module; system for cruise lines, including passenger contract/baggage and shore tour claims.
Optional features: shipboard reporting system.
User support: user group meetings, onsite training, telephone assistance available 10 hours a day*.
Staff: 5 total, 4 professionals.
Clients: 15 total, 12 in corporate risk management departments, 6 new systems sold in 1998.
Officers: Roger Phillips, president; Elizabeth Seymour.
Contact: Roger Phillips.

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Parent: Citigroup Inc.
■ CARMA
System requirements: IBM-compatible PC system, Windows.
Online system.
Customization optional.
First Installation: 1983.
Total installations: 1,258, 285 in corporate risk management departments.
Claims/coverage managed: general liability, workers compensation, property, auto, casualty.
Features: claims management/loss analysis including adjuster notes; workers compensation lost-time analysis; managed care and integrated disability management analysis; loss development and forecasting; loss prevention; reserve tracking; premium allocation; risk analysis; self-insurance comparisons and analysis; loss trending and safety/loss control; ad hoc reporting; utilizes data from other sources; employee benefits; short-term disability; benchmarking and drill-down analysis; insurance and risk management analysis available through actuarial, loss control/safety, claims and underwriting staff.
Optional features: exposure database; OSHA module.
User support: user group meetings*, onsite training*, telephone assistance available 13 hours a day*, regional training sessions, newsletter, individual account information representative.
■ CARMA On-line
System requirements: IBM-compatible PC system, Windows, Internet access.
Online system.
Customization optional.
First installation: 1983.
Total installations: 2,157, 785 in corporate risk management departments.
Claims/coverage managed: general liability, workers compensation, property, auto, casualty.
Features: claims management/loss analysis including adjuster notes; workers compensation lost-time analysis; managed care and integrated disability management analysis; loss development and forecasting; loss prevention; reserve tracking; premium allocation; risk analysis; self-insurance comparisons and analysis; loss trending and safety/loss control; ad hoc reporting; utilizes data from other sources; employee benefits; short-term disability; benchmarking and drill down analysis; insurance and risk management analysis available through actuarial, loss control/safety, claims and underwriting staff.
Optional features: exposure database; OSHA module.
User support: user group meetings*, onsite training*, telephone assistance available 13 hours a day*, regional training sessions, newsletter, individual account information representative.
Staff: 150 total, 78 professionals.
Clients: 1,070 total, 1,070 in corporate risk management departments.
Branch offices: Los Angeles, Atlanta, Chicago, Minneapolis, Dallas.
Contact: Matthew L. Carden, second vp-RMIS.

Trinity Risk Systems Inc.

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Waxahachie, Texas 75168-0746;
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www.trinityrisk.com
Risk management systems since: 1994.
■ Trinity Risk Systems
Price: $35,000 to $50,000.
System requirements: IBM-compatible PC system, Windows.
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First Installation: 1994.
Total installations: 38, 22 in corporate risk management departments.
Claims/coverage managed: general liability, workers compensation, property, auto, casualty, employee practices.
Features: claims administration, including check writing; certificate processing; OSHA compliance; litigation management; 1099 reporting; loss prevention and loss reporting.
Optional features: certificate tracking and printing; underwriting.
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Risk management systems since: 1984.
■ COMPCLAIMS
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User support: user group meetings, onsite training, telephone assistance available 9.5 hours a day, Internet support, modem support.
Officers: William L. Tiner Jr., president; Ann M. Tiner, executive vp; Tom Brooks, vp.
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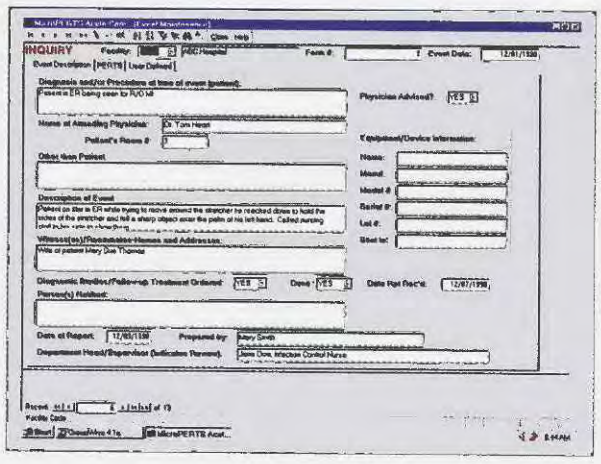
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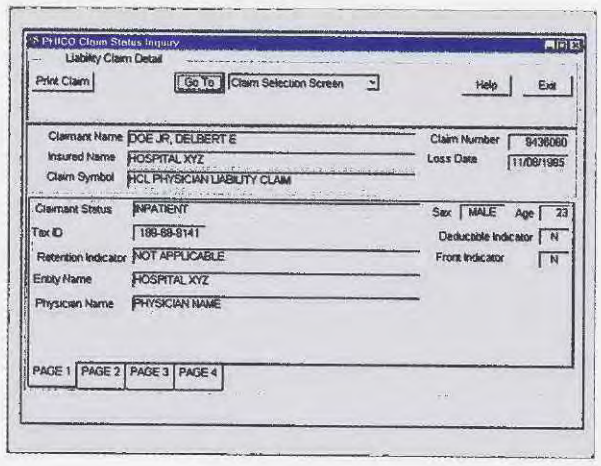
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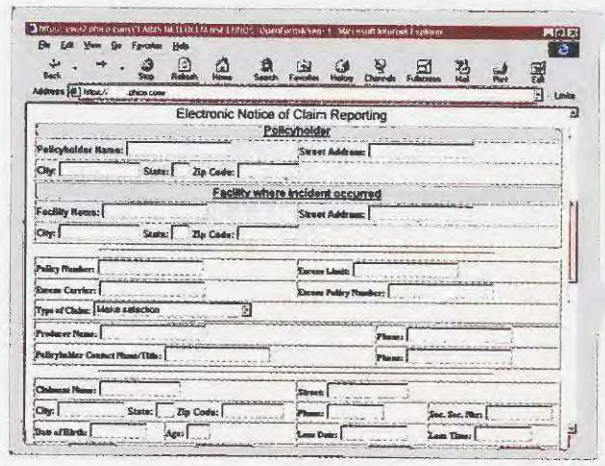
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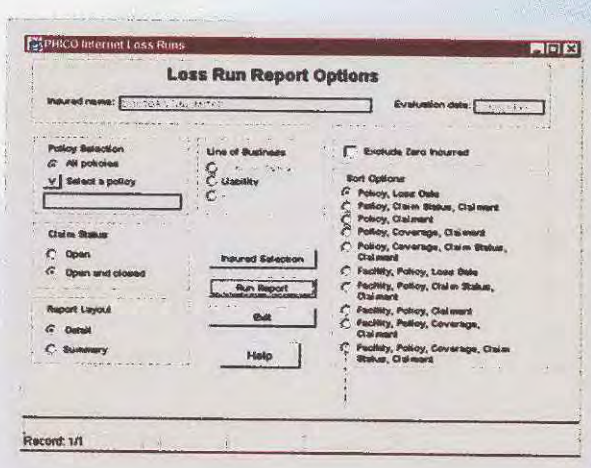


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Reinsurance troubles may await captives

By MICHAEL BRADFORD

MIAMI—A hardening market is coming, and captives should be concerned about their reinsurance strategies, a reinsurance broker warns.

Several unrelated events that occurred during the last six months are indications that the insurance and reinsurance markets are tightening, said Michael Woodroffe, president of Bermuda-based Meadowbrook International Ltd.

"I'm not usually a sort of sky-is-falling person who has been running around for years saying a hard market is around the corner," he said. "I'm finally changing my mind." He was speaking at the World Captive and Alternative Risk Financing Forum, held last month in Miami.

Mr. Woodroffe was joined in the presentation by R. Lincoln Trimble Jr., vp at Chubb Atlantic Reinsurance Specialists Ltd. in Bermuda. Mr. Trimble agreed that some price firming probably is on the way.

"As a reinsurer in Bermuda, I'm uniquely positioned to see areas that are hardening," Mr. Trimble said. That, he explained, is because high prices steer buyers to alternative risk vehicles that are located in the offshore domicile.

For example, liability coverage for truckers and workers compensation insurance for contractors are lines that are showing up in Bermuda because of higher prices in the traditional market, he said. "The tide has already turned in many areas."

Mr. Woodroffe said that the stock market's loss of appetite for insurance and reinsurance stocks is an indication that a hardening is on the way. "Many analysts seem to realize that 20% top-line growth is unrealistic and unhealthy."

A second indication can be seen in the consolidation of reinsurers, he noted. "The number of reinsurance companies active in the captive reinsurance market has dropped significantly due to mergers and acquisitions during the last five years."

A partial collapse of retrocessional markets hasn't helped, either. "Reinsurers find it increasingly expensive to buy retro cover," Mr. Woodroffe said. The full impact of a reduction in retro markets will probably be seen in March as reinsurers struggle to complete their renewals, Mr. Woodroffe said.

An increase in global catastrophes—including earthquakes in Turkey, Greece, Taiwan and Mexico, as well as an active hurricane season—have further strained profits for insurers and reinsurers, he added.

Given this changing marketplace, Mr. Woodroffe offered some strategies for captives that might be pinched when it comes time to find reinsurance.

"Divide and conquer," he advised. "Keeping the fronting carrier separate from the excess and aggregate reinsurer allows the captive to carefully analyze the costs from each activity and maintain control."

Such a strategy also allows the captive to be "creative and opportunistic when buying reinsurance, while not endangering the relationship with a long-term insurance partner," Mr. Woodroffe explained.

Unfortunately, captives generally don't have the clout that big insurers wield when buying reinsurance, he said. "Hence the law of large numbers does not apply, and a reinsurer will want more money for the increased risk and volatility."

Therefore, Mr. Woodroffe advised, captives should purchase only working layers of reinsurance coverage and let the fronting company use its treaty reinsurance to cover excess layers.

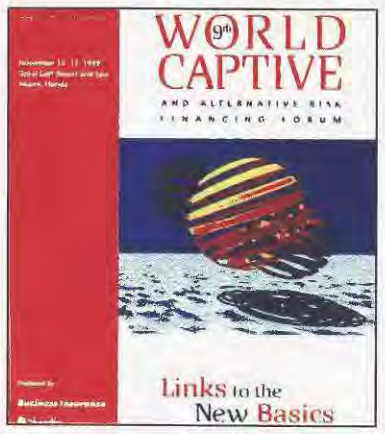
In addition, captive owners should stay away from large amounts of quota share reinsurance, he advised.

"Remember, the reason you formed a captive in the first place is that you believe that your business has a superior loss ratio. By buying quota share reinsurance in large amounts, you are giving away profitable business," he explained.

Mr. Woodroffe urged captive owners to be realistic in estimating their annual premiums, because reinsurers will want a minimum deposit based on that amount. "Reinsurers are not impressed," he said, when a broker appears part way through the year to ask for return premiums.

Chubb Atlantic's Mr. Trimble emphasized that, even with a market tightening, there remain creative ways for reinsurers to offer affordable coverage.

"Yes, there is evidence of a hardening market," he said. "Yes, the reinsurance market in certain areas will undoubtedly harden. But there is still a very active, vibrant, creative marketplace out there."



And Mr. Trimble said that "there is one good thing about the soft market: It really makes you think.

"It requires you to be very creative in the way you approach things. . .all the things we've learned in the softer market will be there in the hard market. So we've just become more nimble."

For those considering forming a captive, now's the time, Mr. Woodroffe advised. "If you wait until the rates have hardened," he added, it may be too late, as reinsurance could be unavailable for a start-up venture.

The session was moderated by Robert J. Rosser, senior vp of Skandia International Risk Management Ltd. in Bermuda. BI

Capital markets approaches continue to gain favor

By RODD ZOLKOS

MIAMI—Capital markets approaches for transferring risk continue to gain momentum as an alternative or supplement to traditional insurance or reinsurance.

And as those new approaches develop, they offer risk managers, insurance companies and reinsurers new options for managing exposures, say several experts.

"This has moved forward much faster in the past 24 months than I think it has in the past 24 years," said Roland "Chip" Manozzi, a senior vp with Marsh Inc.'s FINPRO group in Boston. Mr. Manozzi discussed the capital markets as part of a panel at the Ninth World Captive and Alternative Risk Financing Forum, held last month in Miami.

Speaking on another panel called Capital Markets vs. Reinsurance, David E. Govrin, vp-risk markets at Goldman, Sachs & Co. in New York, offered a similar assessment.

"I don't think three years ago we could have envisioned where we are today," Mr. Govrin said.

"The technology has changed dramatically over the last five, 10 years," Mr. Govrin said. "As methods and tools have changed, that's changed the way people have looked at risk, focused risk, structured risk and priced risk."

Thomas Wronski, director-insurance and risk management at FMR Corp. in Boston, moderated the Capital Markets Landscape panel. He likewise credited information technology improvements with helping promote an increased emphasis on an enterprisewide view of risk.

"The overall depth and quality of the data we have available to us has increased dramatically in the past few years," Mr. Wronski said.

Examining some trends that might influence future capital markets risk transfer alternatives, Mr. Manozzi noted such possibilities as the securitization of the royalty streams of popular songwriters or box office receipts from motion pictures.

"I really don't know what all this means," he said. "But I know that if I can securitize James Bond movies or the Godfather of Soul's record catalog, then I can securitize a lot of things, can't I."

"It's a market that's in an evolutionary phase at this point," Mr. Manozzi said. "A lot of what we're talking about is not coming out of the insurance industry, it's coming out of the finance industry."

And, he noted, much of the insurance industry's involvement to this point has involved providing enhancements for capital markets deals.

Speaking on the Capital Markets vs. Reinsurance panel, John R. Berger, president and chief executive officer of Chubb Re in Bernardsville, N.J., noted that Chubb Re is currently working with another company preparing to issue a catastrophe bond.

Chubb Re will provide a reinsurance treaty addressing difficult-to-model exposures the bond issuer faces, and that reinsurance will make the cat bond transaction possible, Mr. Berger said.

Reinsurance's flexibility—the notion that it "can cover anything"—is one of its advantages, Mr. Berger said.

What's more, "There's great simplicity in reinsurance," he said. "Two parties, you sit down, you strike a deal, and you're in business."

"Then, there's a proven track record," Mr. Berger said. "Reinsurers have been around a long time."

"There is a lot of flexibility in the reinsurance market in terms of structuring the product," Mr. Govrin said. "The problem is, going out 10 years, the number of markets that will be there for you because of credit risk."

While offering some advantages, the financial approaches to risk transfer have some negatives of their own. One commonly cited downside is the cost—both in dollars and time—of the capital markets transactions.

"It takes six months to nine months to put one of these things together," said Donald J. Riggin, Cincinnati-based editor of Financing Risk & Reinsurance, who participated in the Capital Markets Landscape panel.

And, he noted, "Investment banks are not inexpensive to work with. The lawyers involved are legion."

Another concern is the liquidity of the market for the risk transfer instruments.

"It's not a liquid market today," Mr. Manozzi said. "There are not a lot of takers on the other side."

But, noted Mr. Govrin, although there are no guarantees in catastrophe bond documents that there will be a liquid market for the securities, "we were trading throughout Hurricane Floyd."

Basis risk—the difference between the performance of an index and the experience of the purchaser of a hedge that is based on that index—is another negative, Mr. Riggin said.

"What about your experience? Your own loss experience is what you're trying to hedge against," he said. "Insurance is the only perfect hedge. Options are an imperfect hedge because of basis risk."

Basis-risk concerns have kept the PCS catastrophe options at the Chicago Board of Trade from becoming more popular, Mr. Riggin said. "Basis risk is the nemesis of insurance options," he said.

But on his panel, Mr. Govrin suggested that, to date, the CBOT's PCS options market "has tended to be more of a speculator's market."

"If you saw more catastrophe bonds traded based on the same index on which the Board of Trade is based, I think you would see more activity," he said.

And, he noted, as more risk financing alternatives develop, it's important to select the one that's most appropriate to addressing the particular situation.

In some cases, traditional insurance or reinsurance may well prove the best answer, he said, while in others, a derivative might be the most efficient approach to risk transfer.

D. Hugh Rosenbaum, a principal with Tillinghast-Towers Perrin in London, moderated the Capital Markets vs. Reinsurance panel. BI

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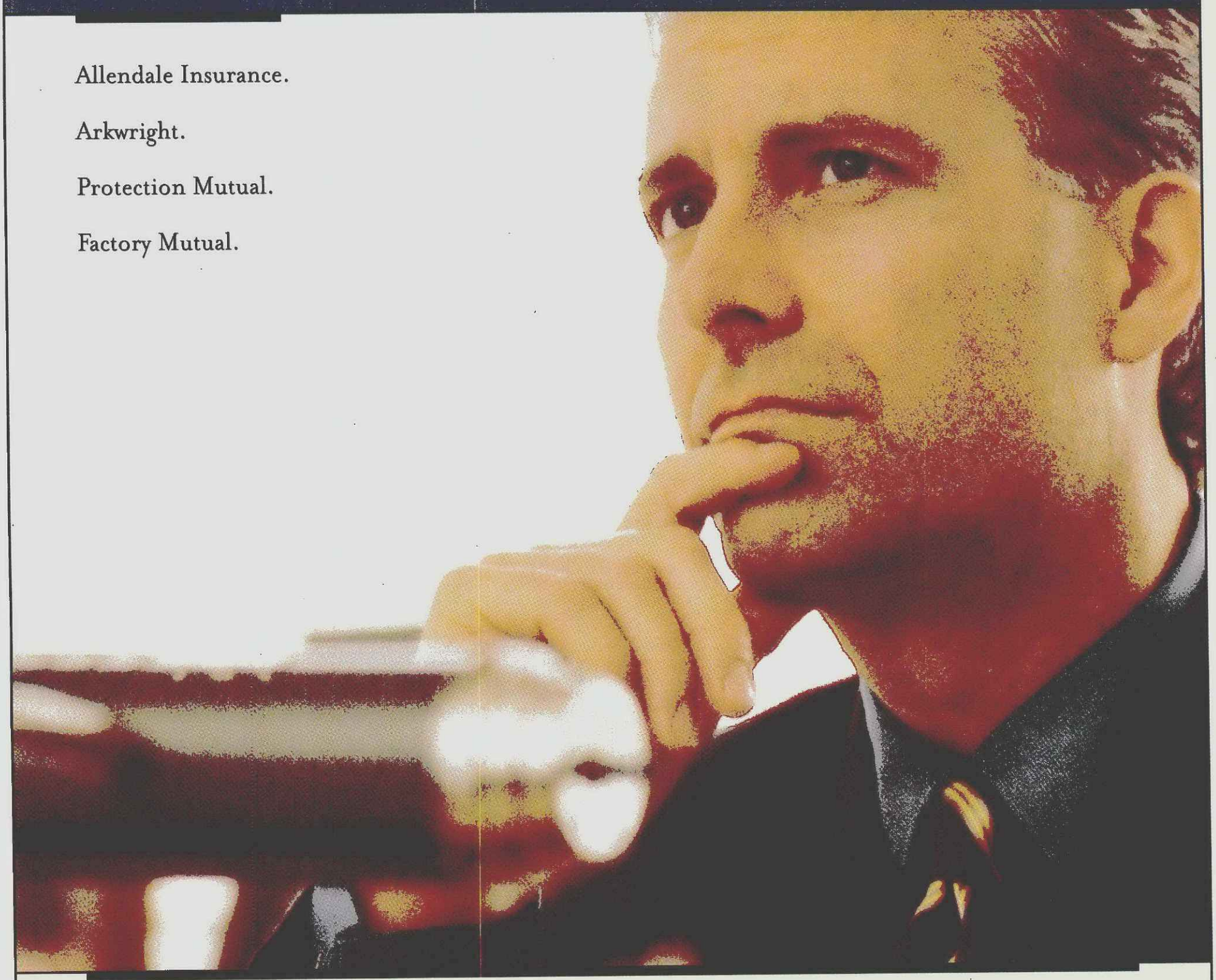
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Integrated risk financing expected to grow

By RODD ZOLKOS

MIAMI—Although several factors have prevented integrated risk programs from becoming commonplace, there's little doubt that their popularity will grow, according to one group of risk financing experts.

Corporate culture, insufficient education, the complexity of such transactions, accounting uncertainties and a soft traditional insurance market all have hindered growth in the use of integrated risk financing programs, said panelists at the Ninth World Captive and Alternative Risk Financing Forum, held last month in Miami. The speakers were part of a panel on integrated risk financing, enterprise risk management and basket aggregates.

But, said panelist Brian M. Kawamoto, a director at Swiss Re New Markets Corp. in New York, "You're beginning to see a risk manager evolve more into a capital manager and pick spots where they can bring value to an organization. And that market's alive and well."

An increasing emphasis on corporate governance requirements in several countries will further fuel the move toward integrated risk, suggested another panelist.

"There is a political pressure for considering within the corporation all the risks the same way and having a common methodology for disclosing and protecting them," said Michel Cournier, director of risk management at Alcatel in Paris.

Five years from now, among the largest corporations, "there will not even be a question of whether we use integrated risk," Mr. Cournier predicted.

"Integrated risk is another tool that the risk manager and corporate financial management have as a method for them to control, transfer or otherwise fund expected losses," said P. Richard Hackenburg, president and chief executive officer at XL America Inc. in Stamford, Conn.

"It's not a replacement tool" for any of the traditional insurance tools, he said. Instead, organizations should consider integrated risk another option for meeting the goals of their risk financing programs, Mr. Hackenburg said.

"Evaluate how options fit within your organization and what kind of cultural barriers you might face," he said. "It's not a panacea. It's not something that everybody should be going to just because it's out there and it's exciting and it has some appeal. It is something everybody should evaluate."

In evaluating those risk financing objectives, "if it's just to get a lower cost, I'm not sure this is the best time to be doing" integrated programs, Mr. Kawamoto said.

And companies that have recently decided to unbundle from multiyear/multiline programs to benefit from soft market pricing have adopted "a trading mentality instead of a strategic mentality," he said.

In fact, Mr. Kawamoto said, enterprise risk management and integrated risk transfer "really is about capital management."

Mr. Cournier said Alcatel's experience initially emerged from a "modest objective" of seeking to reduce costs in its insurance program.

"Frankly, I looked at various alternatives, and one of them was just to bundle all of the risks we had and try to produce some savings," he said.

Bundling the coverages reduced the total amount of capacity required across all of the various exposures, and it also brought the possibility of further savings because of the diverse portfolio of exposures that was created, he said.

But, ultimately, Alcatel's biggest savings from moving to a multiyear/multiline program stemmed from a reduction in frictional and administrative costs, Mr. Cournier said.

"For us, it was around a 20% overall saving, despite that we already had very good pricing," he said.

Mr. Cournier noted that all the exposures covered in Alcatel's existing multiyear/multiline program are traditional insurable risks.

"The next step is to bring in other risks," such as intellectual property infringement, unauthorized trading in the company's treasury department or exchange risks on its contracts, Mr. Cournier said.

In terms of what constitutes integrated risk, Mr. Kawamoto said, "From the purist's view, I think our industry has tended to define 'integrated risk financing' as the combination of hazard risks with financial risks."

But, he noted, it's possible to take a broader view of integrated risk that would encompass a program like the one Winnipeg, Manitoba-based United Grain Growers Ltd. will put in place in January.

In its program, UGG blended an operating exposure—a downturn in the volume of its grain handling business—with traditional property/casualty risks (*BI*, Nov. 15).

Asked whether insurers and reinsurers are likely to remain interested in offering integrated risk programs should the market for traditional coverages begin to harden, Mr. Hackenburg said, "We think this process makes sense regardless of what part of the cycle you're in."

"The net result is we've got to figure out how to make these programs work on this side of the cycle and the other side of the cycle," he said, adding that integrated risk programs represent an effort by insurers to meet insurance buyers' needs most effectively.

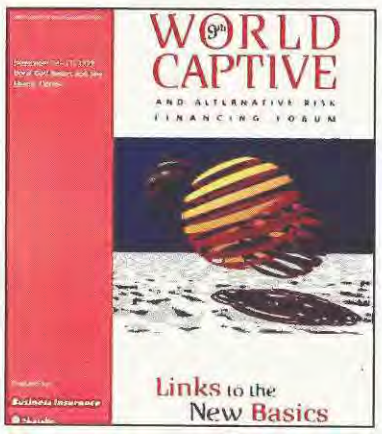
From an buyer's perspective, the process of properly evaluating an integrated risk financing approach is "a worthwhile exercise to go through," Mr. Hackenburg said, as the modeling involved gives the organization a better understanding of its exposures and insurance program.

And successfully structuring an integrated risk program that includes business exposures suggests the presence of "very good relationships" in an organization between risk management and the various other aspects of the company, Mr. Cournier said.

"It's something that cannot happen like—'OK, we're going to have an integrated program now,' " he said. Instead, an integrated risk approach must evolve from a sense within the organization that there is a need for such a program.

"I really believe this is a huge opportunity not only for providers but for you in the audience," Mr. Kawamoto said. "It's a fastball coming down the middle, and if you choose to hit it out of the park you can."

Kathryn J. McIntyre, publisher and editorial director of *Business Insurance* in Chicago, moderated the session. BI



Rent-a-captive profits seen as added benefit of facilities

By MICHAEL BRADFORD

MIAMI—Psst! Wanna make some extra cash?

Join a rent-a-captive.

It may not be as easy as that, but panelists at a presentation at the World Captive and Alternative Risk Financing Forum made no bones about what they saw as one of the most attractive reasons for participating in rent-a-captives.

"First and foremost, a rent-a-captive is a profit center," said Philip J. Stevens, vp with Aon Group Inc.'s Alternative Markets Organization in Greenwich, Conn. "When I was in risk management, we had four rent-a-captives for four different purposes, and the sum total of the four different rent-a-captives earned a very nice profit stream by selling insurance to our vendors, as well as clients of our company."

Mr. Stevens emphasized that "underwriting profit and investment income clearly are the driving force behind a rent-a-captive."

Rent-a-captives typically are formed by insurers, brokers and captive managers to "rent" capital and surplus to clients, which then avoid needing to capitalize their own captives.

There are other benefits to participating in a rent-a-captive besides profit, Mr. Stevens pointed out.

It's an attractive alternative to a high self-insured retention or a retrospective rating plan for companies that are paying casualty premiums of $1 million to $2 million, Mr. Stevens said. While retail brokers often present buyers with only a retro plan or a high SIR program as alternatives to traditional insurance, "it usually makes sense

See **Rent** *on page 40*

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Experts provide roadmap to better financials

By RODD ZOLKOS

MIAMI—While a captive insurer can help advance its parent company's business goals, certain details of the captive's business must be addressed if it is to be used effectively, several captive experts say.

In addressing those issues, it's important to remember that the captive's business is likely to differ significantly from that of the parent company.

"There's a difference between minimizing and maximizing risk and return for the captive and minimizing and maximizing risk and return for the organization," said Patrick Jensen, a senior manager at Deloitte & Touche L.L.P. His remarks were made during a panel discussion on improving captives' financial performance at the World Captive and Alternative Risk Financing Forum, held last month in Miami.

John M. Lummis, senior vp and chief financial officer at RenaissanceRe Holdings Ltd. in Hamilton, Bermuda, noted that creating a broadly diversified portfolio of risks allows a company to use capital efficiently.

The challenge before a captive, then, is to build an effective model for underwriting individual risks and to create a well-diversified portfolio, Mr. Lummis said.

"In order to efficiently use capital, you have to leverage the capital across a number of different risks," Mr. Lummis said. "But to do that you have to have an effective risk management system."

"As anybody thinks about approaching more complex classes of risk, you really have to understand how you're going to drill in and understand the risks," he said.

And achieving that understanding requires effective modeling of risks, Mr. Lummis suggested.

"You need to do some sort of modeling, and I would highly suggest that most organizations look at modeling their risks in some very organized manner," agreed Mr. Jensen.

Jan Lommele, a principal at Deloitte & Touche in Hartford, noted that although models may be similar from organization to organization, they are in fact all different. "No one single model can be applied to every enterprise," he said. "They have to be tailored."

An effective model must produce unbiased estimates for the decisions involved, Mr. Lummis said, and the model's output must be well organized.

Also, the decision-maker must understand the workings of the model.

"If the model produces a counterintuitive result—and they do sometimes—then the underwriter has to be able to reach in and understand the model," he said.

Building a sophisticated model requires substantial resources. "Is this easy?" Mr. Lummis asked. "The answer is 'no.' "

And it's important to remember that model results are estimates, not facts, he said. "Be careful how you use models."

Modeling is especially important as captives move into new areas of underwriting, noted Mitchell J. Cole, a principal with Tillinghast-Towers Perrin in New York, who moderated the session.

One area some captive owners are now moving into is employee benefits.

Speaking as part of a panel on expanding captives into employee benefit business, Gary Matson, director of global benefits at H.J. Heinz in Pittsburgh, noted that moving benefits into his company's Dublin, Ireland-domiciled captive offered several advantages.

"In working in the global market, we're trying to better leverage our resources and become more of a unified company," Mr. Matson said.

Half of Heinz's 40,000 employees and half of its $9 billion in annual sales involve its operations outside the United States.

At Danbury, Conn.-based Union Carbide Corp., "We wanted to broaden the portfolio of our insurance subsidiary," noted Richard M. Inserra, the company's assistant treasurer.

The company began writing deferred compensation plans and foreign benefit plans through its captive "a couple years ago," Mr. Inserra said. It has gradually increased the benefits written through the captive, most recently by beginning to write supplemental life insurance benefits through a U.S. Virgin Islands branch of its Bermuda-domiciled captive, he said.

Adding personal lines to the captive's portfolio also provided the benefit of further diversifying the captive's exposures, increasing the stability of the captive over time, Mr. Inserra said.

Currently, the Employee Retirement Income Security Act prohibits companies from funding employee benefits business through captives without an exemption from the Department of Labor.

Discussing Herndon, Va.-based Columbia Energy Group's application for such an exemption, Kathryn A. Westover, chief operating officer at ARS Management in Colchester, Vt., noted that the approach can provide several benefits for a captive parent.

Among them, she said, are improved risk management control over cash flow, budgeting and claims management; improved risk financing efficiencies; and enhancements of an existing captive program.

"In order to enhance the program, we're bringing in an increased number of loss exposures," Ms. Westover said.

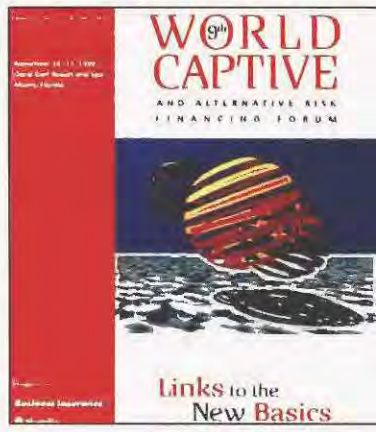
In seeking a DOL exemption, the key element is demonstrating how the move will benefit the company's employees, Ms. Westover said. By reducing its costs, she said, the company can improve the benefits it provides its employees.

"People are doing this, and they're doing it because there are so many benefits that can come from it," she said.

Another panel at the forum discussed preparing for mergers and acquisitions.

When companies are involved in such deals, risk managers can face several key questions involving captives, said Gary Peruse, senior vp-risk management at Ogden Corp. in New York.

For example, he said, if the company to be acquired has a captive, it makes it more difficult to determine that company's cost of risk,



Mr. Peruse said. "You have to do the due diligence on the captive insurance company as a separate company," he said.

Program integration is another issue, he said. In addition, if the acquired company's risk management isn't up to your own company's standards, there may be problems with extending your captive's programs to the acquired company's exposures.

And, warned Kenneth M. Krenicky, head of risk management and insurance at Aventis S.A. in Strasbourg, France, it's important to take an honest look at the acquired company's program.

"Do not think that the program you've developed in the past several years, your own program, is the best," he said. "Do not feel that the program on the other side of the house is the worst. There are reasons why the other guy did what he did."

Tillinghast-Towers Perrin's Mr. Cole also moderated the employee benefits session. Kathryn J. McIntyre, publisher and editorial director of *Business Insurance* in Chicago, moderated the mergers and acquisitions panel.

Pete Senak, senior managing director, product development at Gerling Global Financial Products Inc. in New York also participated in the mergers and acquisitions panel. BI

Rent

Continued from page 38

to look at all three," he said.

If buyers "look at all the various component parts, at the end of the day, the analysis on the frictional costs will usually be about the same," Mr. Stevens explained. That leaves the potential profit-making rent-a-captive as a good choice.

"Another reason people will come to a rent-a-captive is to put their big toe in the water," he remarked, and determine if they would want to capitalize their own rent-a-captive after a few years. And it's much easier to get out of a rent-a-captive than it is a single-parent company, Mr. Stevens added.

Still, there are some negatives that should be considered when deciding whether to set up or participate in a rent-a-captive, warned Philip J. Harvey, president of the retail agency Philip J. Harvey & Co. in West Chester, Pa., and a panelist at the presentation. "The initial capital contribution out of your pocket could vary," he said, and often there are unexpected expenses as the facility is being set up.

Mr. Harvey said that it is important to ask of owners and clients: "How much risk can you afford to take, and do you really understand the risk you are about to take?"

He pointed out that "you have to have large cash allocations available to fund your risk. For the most part, that limits the people who get into this business."

Mr. Harvey recalled that, during the first year his agency was in a rent-a-captive, "I never fathomed that, if we grew, as we grew, our cash requirements would have to double, triple and quadruple over the course of three or four years."

William G. Watson, executive vp at Reliance National Insurance Co. in New York, said during his turn at the podium that a company considering a rent-a-captive should ask itself a number of questions up front. "Does it make sense? Does the insured have a reason for going into it? Are they better off? Are they looking for long-term structure here?" he asked.

'I've got to believe that workers comp is going to be the first product to turn,' says Philip J. Harvey.

Consider, Mr. Watson advised, that there currently are some reinsurance market difficulties that could affect participants in rent-a-captives. "We have seen, in the last few years, a number of reinsurers taking a bath," he said.

As a result, some captives are having problems collecting reinsurance payments, Mr. Watson said.

Reliance provides fronting services, and Mr. Watson urged a prospective rent-a-captive owner or clients to have a frank and open discussion with the fronting company before the facility is structured. "We, as front carriers, want to be your partner; we want to understand what is put together. We want to make it work. But if it's not going to work, let's get it up front," he said.

Timing is very important when setting up a rent-a-captive, Mr. Harvey said. "That's the hurdle everyone has to get over."

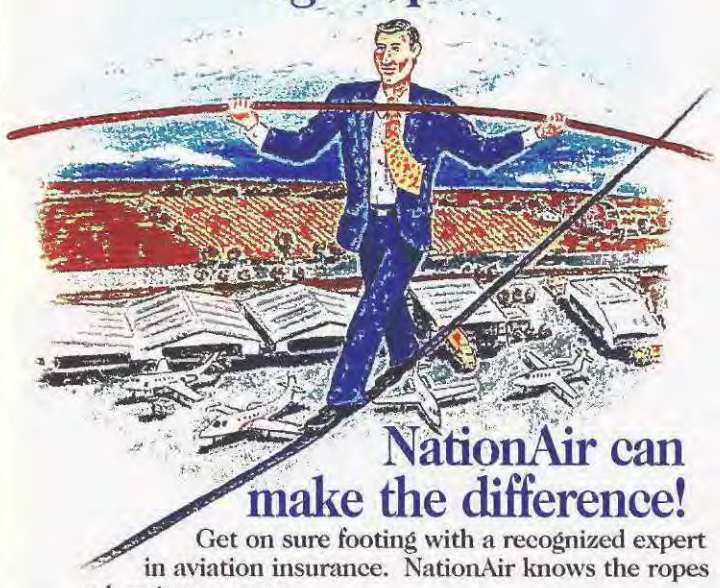
He urged those thinking about getting involved in a facility to do it before it's too late. Mr. Harvey said he believes, for example, that the timing is right for setting up facilities to cover workers compensation exposures.

"I've got to believe that workers comp is going to be the first product that is going to turn," he said. Therefore, a facility should be ready to go before what he termed the "Armageddon" of high commercial market rates, after which insurance buyers will be frantic to find affordable coverage.

"It probably makes sense, from a risk management standpoint," Mr. Harvey noted, to begin working on plans for a rent-a-captive now in anticipation of a market hardening. Even if the market doesn't firm, he said, "at least you have plan B in your prospectus."

The session was moderated by Nicolas Dove, president of Skandia International Risk Management in Bermuda.

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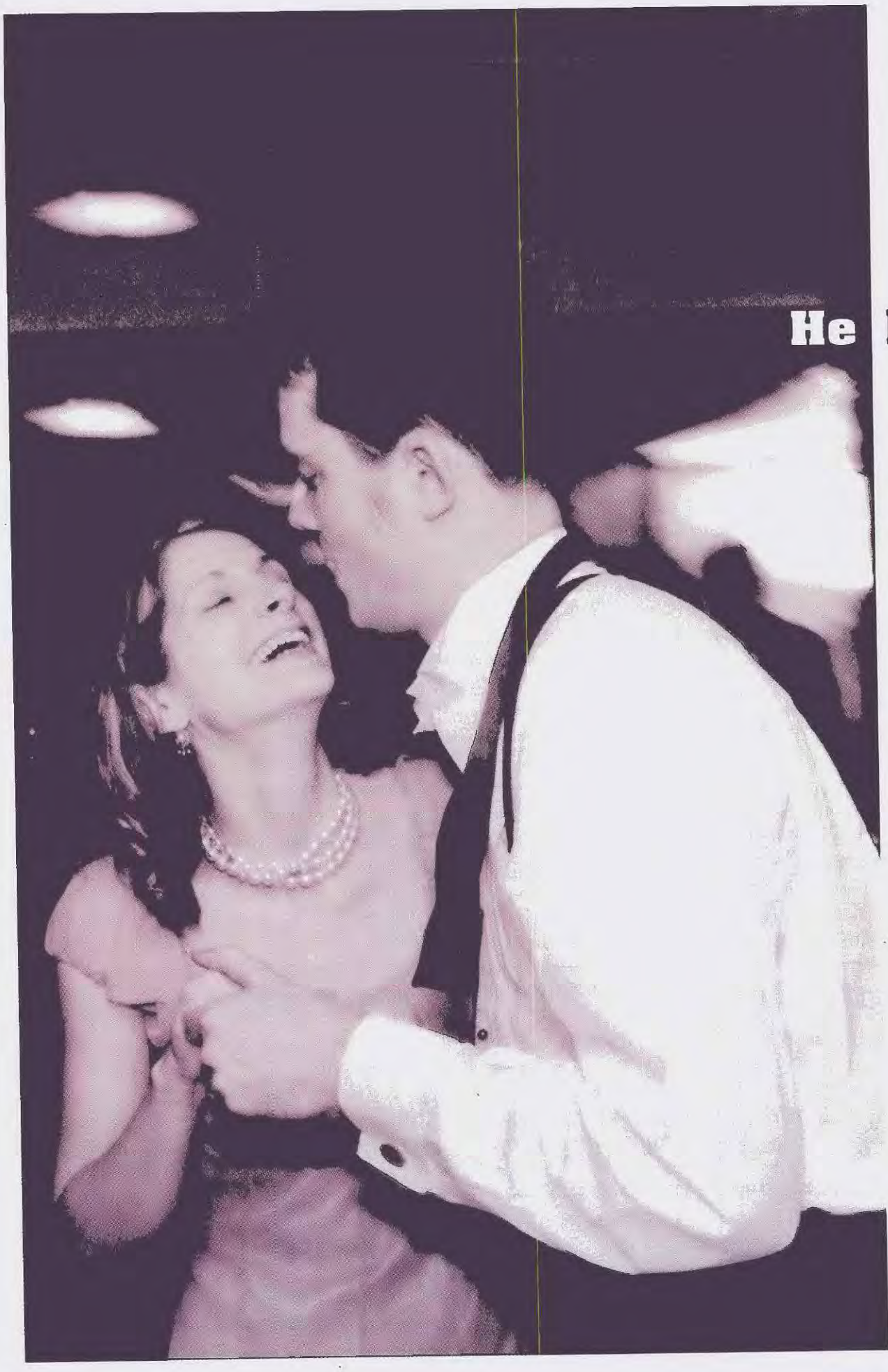
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LEXINGTON INSURANCE COMPANY PIONEERS IN REVOLUTIONARY PROTECTION

P/C results

Continued from page 2

"The industry is probably going to witness some year-end negative surprises regarding reserve development and possibly, if the news is bad enough, it could lead to some meaningful price firming, but at this point in time, we're still waiting to see how the fourth quarter develops," Mr. Lewis said.

The property/casualty outlook remains negative, agreed Matthew Coyle, a director at rating agency Standard & Poor's Corp. in New York. The good news, he said, is that "we're starting to hear that most of the companies are starting to push through rate increases and, more importantly, they're starting to stick."

But it will take at least 12 months before these increases will be reflected in insurers' results, he said. "The other issue is to see if the amount of rate increases that were put through is enough, and probably the answer to the second question is 'No.' "

Ronald Frank, an analyst with Salomon Smith Barney in New York, also pointed to the lag between price hikes and their ultimate reflection in financial reports. "The outlook for the earnings, I think, is pretty lackluster," he said. "It is only in mid to late '99 that you began to see modest price increases go into place in commercial insurance with any degree of persistency," he said.

Next year, insurers will determine on a company-by-company basis what they need in terms of price, what they can get, "and how much more business a given company needs to shed to restore rationality to its book of business," Mr. Frank said. But this will not manifest itself in insurers' financial results until late 2000 at the earliest, he said.

Rick Quagliaroli, president of commercial lines for Hartford Financial Services Group Inc., said that while major insurers are moving rates up, "in middle-market business, you have to expect it to take eight to 12 quarters" to affect their financial results.

Meanwhile, insurers are examining their business portfolios "and probably also trying to shed their worst-performing business," while also cutting expenses, Mr. Quagliaroli said.

'You had some generally difficult earnings comparisons punctuated by a few explosions here and there. . . .It's ugly out there,' says Bear, Stearns' Michael Smith.

This is happening "against a backdrop of rising costs in workers comp and medical," he noted. "The rising medical costs are going to offset a little to a lot of the price increases that they may get on their business."

Michael Smith, an analyst with Bear, Stearns & Co. in New York, said: "I think we're going to see more of the same in the fourth quarter, more big reserve adjustments both in the fourth quarter and carrying over into the next year, and somewhere along the line, there's going to be a company or two that fail."

"The frequency of insolvencies could increase based on these weakening earnings trends," said Martin Sheffield, vp of A.M. Best Co.'s property/casualty division in Oldwick, N.J.

According to a recent Best study, despite eroding results, there have been only three insolvencies this year, the lowest level in 30 years. Those insolvencies were: Chicago-based AAI Syndicate Ltd., an excess and surplus lines underwriter; Concord, N.H.-based Non-Profits Mutual RRG Inc., which wrote auto, professional and other liability insurance; and Louisville, Ky.-based Paradigm Insurance Co., a commercial multiperil and medical malpractice insurer.

Mr. Sheffield said the number is so low because of the industry's high level of capital and companies' willingness to purchase troubled insurers for market share.

Among the financial results reported by the 19 insurers surveyed by *BI* were:

- Net premiums written increased 5.7% to $61.01 billion.
- Underwriting losses increased 42.9% to $4.07 billion. This compares with an 11.7% increase in losses the first half of 1999 (*BI*, Aug. 30).
- Insurers posted a 106.4% combined ratio vs. a 104.6% combined for the comparable period last year. The combined ratio for the first half was 105.2%.
- Investment income increased 1.7% to $9.69 billion. This compares with a 2.8% improvement in the first half.
- The policyholder surplus of the 18 insurers that report this data increased 2.2% to $55.02 billion. Royal & SunAlliance USA's policyholder surplus decrease of 29.6% to $1.91 billion is related to its acquisition of Orion Capital Corp., completed last month.

"To paraphrase Forrest Gump, 'Ugly is as ugly does,' " said Bear, Stearns' Mr. Smith.

"You had some generally difficult earnings comparisons punctuated by a few explosions here and there. That pretty much sums up the quarter. It's ugly out there. The poor underlying quality to past earnings reports has finally caught up to the earnings themselves."

Mr. Frank said results reflect the poorly priced business and "the decreasing availability—and in some cases lack of availability—of prior year reserve redundancies to paper over the difference."

They also reflect the expected impact of catastrophe losses, he said, adding there has been a resurgence in catastrophe losses since early 1998.

John L. Ward of the Cincinnati-based Ward Financial Group, noted that the $7.4 billion in catastrophe losses for the first nine months of 1999 was less than the $8.3 billion reported for the comparable period last year, according to the New York-based Insurance Services Office.

Even so, he said, "it has still been a fairly bad year for catastrophes," particularly in the third quarter, when losses totaled $2.1 billion, compared with $3.7 billion for the comparable period last year.

"Even if you take out catastrophes, underlying results were generally deteriorating," said Gary Ransom, senior vp at Hartford, Conn.-based Conning & Co.

"Combined ratios were higher, and even though companies say they are getting price increases, they're fairly modest and there's fairly little headway being made in bringing the combined ratio down, and then there were a couple of reserve blowups," he said, pointing to Fremont General Corp.'s third-quarter aftertax reserve strengthening charge of $75 million, among others.

More reserve additions can be expected, most analysts agree.

"You're going to see more companies stepping up to the plate and taking reserve additions," predicted S&P's Mr. Coyle. "I think the reserve adjustment strengthening is going to be the wild card for next year."

"It's entirely possible that industry loss reserves are deficient by 5% or more," said Ken Zuckerberg, an analyst with Keefe, Bruyette & Woods in New York. "We think this is another factor which will help drive commercial insurance prices up over time," he said.

Meanwhile, insurer stock prices have been suffering. According to the *BI* Stock Index, the average price of insurer and reinsurer stocks was down 20.2% for the year as of Nov. 24.

Third-quarter results have meant "one more quarter of poor stock performance," said Mr. Smith. "Investors hate earnings surprises when they're on the down side," he added.

"It's tough enough to get (investors) interested when earnings growth is slow. But when the minus sign is in front of it, it's almost impossible," he said.

Conning's Mr. Ransom said "It feels like we may be close to the bottom on the stocks, but if there's significant reserves blowups, it could still cause some more stocks to go down, and it's hard to tell which companies those will be ahead of time." BI

Major property/casualty insurers' 1999 nine-month results

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

			Corporate			Property/casualty operations							
Rank 1998	Net income 1999	Percent increase (decline) 1998-1999	Consolidated revenues 1999	Combined[1] ratio 1999	Combined ratio 1998	Net premiums written 1999	Percent increase (decrease) 1998-1999	Pretax underwriting income (loss) 1999	Percent increase (decline) 1998-1999	Pretax investment income 1999	Percent increase (decrease) 1998-1999	Policyholders surplus 1999	Percent increase (decrease) 1998-1999
1 The St. Paul Cos. Inc.	$696,000	6,427.3%	$5,828,000	107.6[2]	117.7[2]	$4,128,000	(2.7%)	($322,000)	54.3%	$964,000	(2.1%)	$5,100,000	17.1%
2 Ohio Casualty Corp.	101,169	56.3	1,441,602	114.3[2]	107.1[2]	1,190,811	23.2	(145,724)	(135.3)	130,367	6.4	878,597	(15.3)
3 RLI Corp.	24,070	19.3	168,141	91.0	89.2	179,058	67.6	13,058	14.4	19,165	7.3	286,784	7.1
4 American International Group	3,743,195	18.4	29,657,955	95.5	96.3	12,217,009	13.6	546,996	35.1	1,869,425	17.8	N/A	N/A
5 Cincinnati Financial Corp.	207,777	6.0	1,616,281	101.7	103.5	1,240,927	7.2	(17,854)	61.9	154,789	1.4	2,778,008	3.4
6 Travelers P/C Corp.	875,300	(10.2)	7,825,500	103.5[2]	102.4[2]	6,227,200[2]	2.3	(273,600)	(21.4)	1,534,500	0.5	7,166,000	6.1
7 Hartford Financial Services Group	639,000	(10.5)	10,092	103.5	104.1	5,057,000	(12.6)	(146,000)	37.1	657,000	(9.6)	7,760,000	9.9
8 Chubb Corp.	457,500	(16.7)	5,025,200	103.4	99.2	4,299,400	3.9	(157,800)	(971.8)	600,600	7.6	3,134,300	20.1
9 SAFECO Corp.	207,700	(18.8)	5,188,900	107.8	103.1	3,532,100	9.0	(252,400)	(163.7)	344,900	(4.8)	2,759,400	(7.8)
10 American Financial Group	126,700	(22.3)	2,499,300	100.8	104.1	1,688,800	(17.8)	(14,100)	83.2	251,900	(10.9)	1,652,300	(7.7)
11 Old Republic Int'l	177,689	(24.9)	1,587,292	110.4	99.5	644,344[2]	(3.7)	(84,863)[2]	(583.2)	137,460[2]	(5.1)	1,387,430	(8.6)
12 Royal & SunAlliance USA[2]	114,600	(45.8)	1,511,700	110.0	106.0	1,241,700	10.2	(144,400)	(107.5)	254,300	(2.5)	1,913,700	(29.6)
13 Hartford Steam Boiler	62,600	(46.0)	448,500	91.5	89.2	268,600[2]	(3.7)	24,100	(23.2)	48,800	4.7	509,900	(16.5)
14 CNA Financial Corp.	178,000	(58.5)	12,700,000	112.6	110.6	8,250,000	0.4	(1,150,000)	(18.3)	1,160,000	(7.9)	7,930,000	11.4
15 Argonaut Insurance Co.	27,290	(62.4)	110,254	123.7	115.2	65,317	(28.6)	(15,697)	13.1	47,156	(11.8)	631,342	3.7
16 Fremont General Corp.	(37,496)	(144.9)	690,006	120.4	96.3	630,366	55.5	(117,675)	(905.8)	115,600	(9.8)	568,553	(8.3)
17 Reliance Ins. Co. and subs.	(187,503)	(163.4)	2,352,721	125.7	101.4	2,012,543	10.7	(494,798)	(1,648.3)	216,565	(1.3)	1,146,365	(31.7)
— Kemper Insurance Cos.	N/A	N/A	2,499,250	110.7[2]	107.4[2]	1,889,072[2]	(7.9)	261,816[2]	(52.0)	238,430	(12.8)	2,497,068	6.9
— Liberty Mutual Ins. Co.[2]	N/A	N/A	N/A	116.7	112.9	6,248,524	36.0	(1,051,240)	(76.8)	948,658	14.9	6,919,693	(1.9)
Cumulative	$7,413,591	(1.6%)	$81,160,694	106.4	104.6	$61,010,771	5.7%	($4,065,813)	(42.9%)	$9,693,615	1.7%	$55,019,440	2.2%

[1] After dividends [2] Statutory N/A-Company did not provide data N/M-Not meaningful



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Letters

NAII

Continued from page 8

cies between the two so that compliance is not in question. The NAII recently did a comparison of the NAIC model and NARAB provisions. We would be willing to share our findings with the NAIC and, as in the past, would help modify the model so that it is in total compliance with the NARAB provisions.

• Second, regulators and insurers must work out the specifics of the language in the model that clarifies that employees of insurers or agencies do not need to be licensed as agents if they are simply providing services to existing customers on existing policies. Without tightening the language in this section of the model, confusion could result regarding just who needs to be licensed.

With more companies and agencies servicing policyholders through e-mail, telephone lines and Web sites, this issue is one that cannot be left in doubt. Again, NAII stands ready to work with the regulators to clarify this section of the model.

• Finally, the NAII urges commissioners and the industry to remember that three years is a blink of an eye in the time needed for states to adopt and implement the agent licensing model.

In a few weeks the 2000 state legislative sessions will begin. The sooner the NAIC model is ready to be considered and adopted by state legislatures all over the country the better chance it will have to be adopted by the states within the deadline, avoiding federal oversight and enhancing state regulation. The NAII pledges its support and will work with the NAIC to help pass this model in every state legislature in the country.

This week's NAIC meeting in San Francisco is a very important date for the Producer Licensing Model Act.

We do caution that time is indeed running out and that we need to move quickly if we wish to stop the Queen of Hearts, who waits patiently to play out her hand against continued state regulation of insurance.

Jack Ramirez
President and CEO
National Assn. of
Independent Insurers
Des Plaines, Ill.

Quality

Continued from page 8

8. Innovative approaches to risk bearing/financing.

9. An extensive global licensed network, but also a willingness to actually underwrite worldwide (preferably using owned insurers).

10. Ability to truly communicate worldwide without requiring the foreign operations to act as separate profit centers; essentially, work as one team.

11. Possesses the right culture with professional people.

12. Operates in a team atmosphere, with loss control/underwriting and claims working together.

13. Low personnel turnover.

14. Promotes from within whenever possible.

15. Reasonable case loads for claim adjusters.

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John Bloomstine
President
Insurance Management Co.
Erie, Pa.

■ *Editor's note: Insurance Management Co. is the 1999 recipient of the Arthur Quern Quality Award.*

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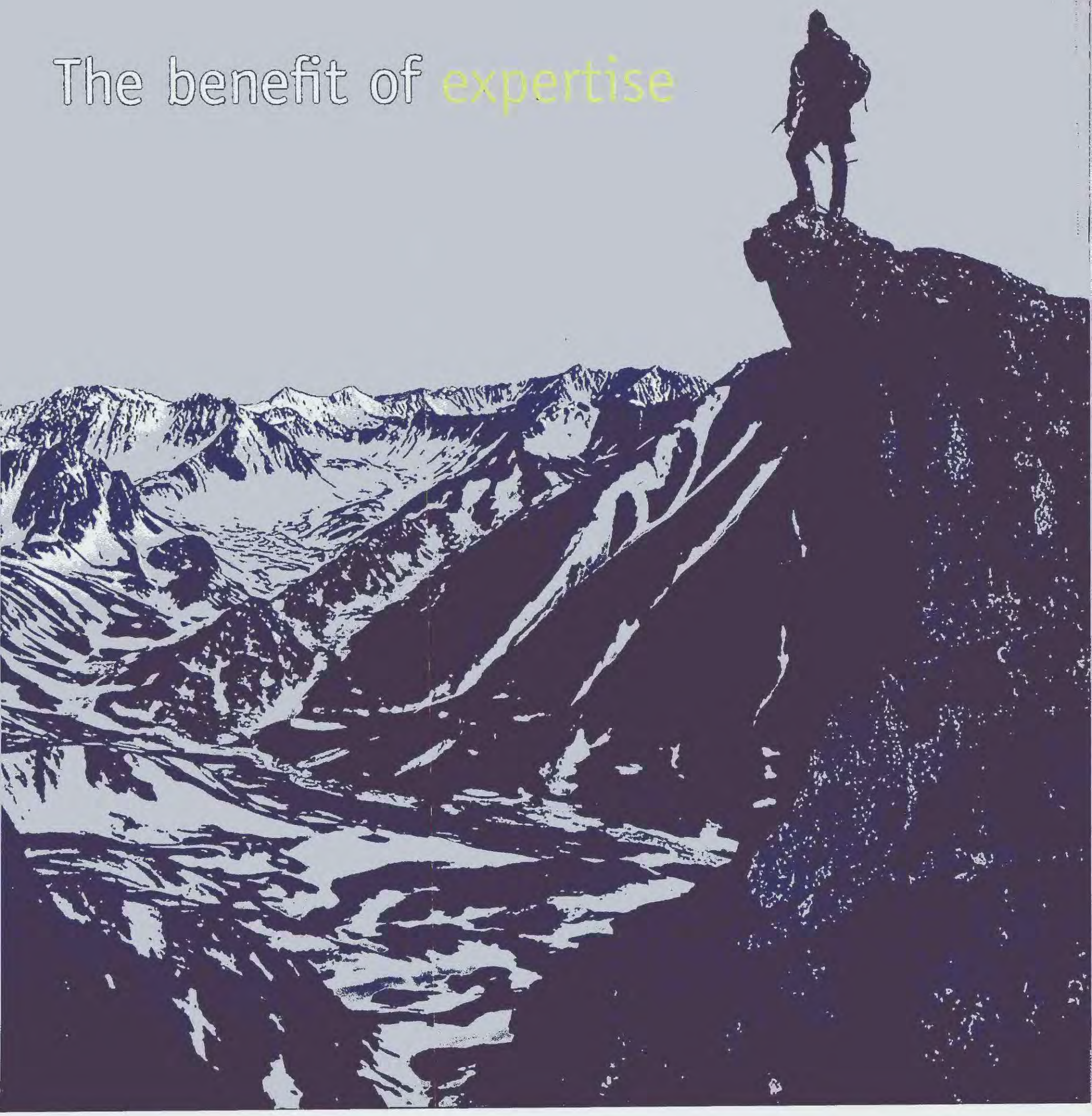
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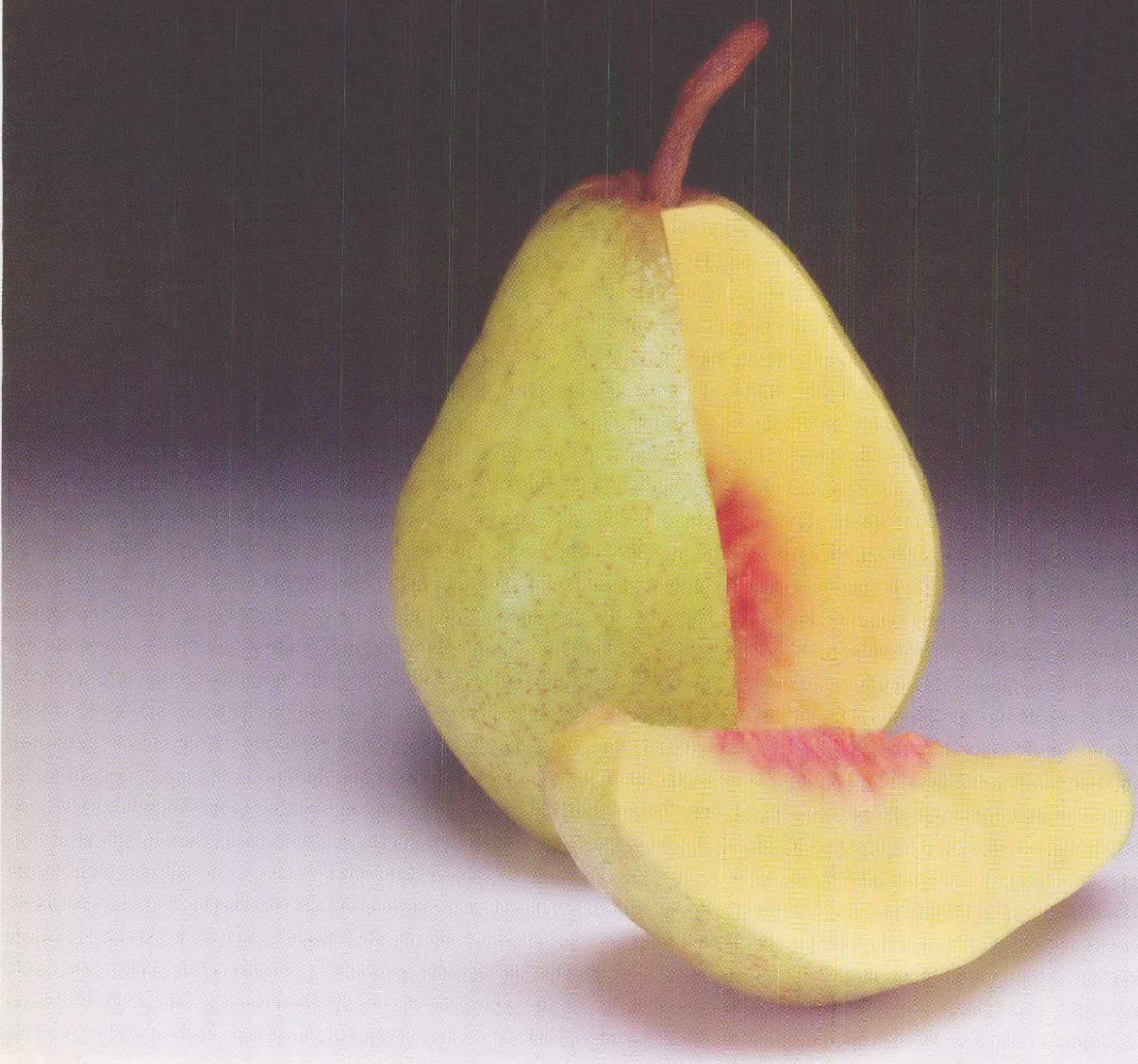
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Global Briefs

Paris-based **AXA Group** is acquiring Nippon Dantai Life Insurance Co. Ltd., Japan's 13th-largest life insurer. Nippon Dantai will be merged into AXA's existing Japanese life operations to form AXA Nichidan Insurance Holding Co., which is expected to begin by March of next year. AXA initially will pay 135 billion yen ($1.32 billion) and will make further payments of up to 65 billion yen ($636.6 million) by March 2001.... **SCOR S.A.**, the Paris-based reinsurer, has launched Astre, an Internet-based service for assessing and pricing commercial and industrial property risks. The service, aimed at small- and medium-sized clients, provides free evaluation and rating assistance and information resources for the main property classes.... **SVB Holdings P.L.C.** has arranged a reinsurance contract with Swiss Reinsurance Co. for Lloyd's of London corporate investment facility CLM Insurance Fund P.L.C., which SVB recently acquired. Risks of the CLM spread and assigned portfolio for the open years 1997, 1998 and 1999 have been transferred to Swiss Re for an undisclosed net premium.... Russian insurer The Renaissance Insurance Group has launched what it says is **Russia's first online insurance company**, Renins.com. The "virtual office," www.renins.com, allows commercial and personal lines customers to purchase liability, property and travel insurance products.... **Zurich Re** has received authorization to open a branch in Malaysia's offshore financial services center, Labuan Island. The office will underwrite all lines of facultative and treaty business for Malaysian clients, while also offering structured finite solutions, including asset liability management, joint risk cover and securitization.... **Reliance National**, a unit of Reliance Group Holdings Inc., has received approval to operate a multiline insurance company in Brazil. The Sao Paulo-based company, Reliance National Brasil Seguros S.A., will provide specialty property and casualty coverages, including directors and officers liability insurance, professional liability insurance, and fidelity and surety bonds, as well as group life and credit life insurance products.... QBE Underwriting Agency Ltd. has engaged **David Woodruff** and an underwriting team for its new, non-marine Lloyd's syndicate 2345. The syndicate, which has started underwriting for the 2000 year of account, operates as a sub-syndicate of QBE syndicate 2999. Mr. Woodruff said one of his main objectives is to develop niche products for high-tech industries, which he said are expected to show the greatest growth over the next decade.... Standard & Poor's has placed its "A" long-term counterparty credit and insurer financial strength ratings for **Arig Insurance Co. Ltd.** on CreditWatch with negative implications. S&P also revised its outlook on ARIG Reinsurance Co. B.S.C. to "negative" from "stable" while affirming its "A" rating. Arig U.K. is a subsidiary of ARIG Re, which is a unit of Bahrain-based Arig Insurance Group B.S.C. The CreditWatch action reflects uncertainties surrounding Arig U.K.'s strategic role within the group following a decision to cease underwriting Arig U.K.'s marine and aviation business, which will reduce Arig U.K.'s premium volume significantly in the short term, S&P said.... India's **Insurance Regulatory and Development Authority Bill, 1999**, was passed in the country's Lower House of Parliament last Thursday and will now be sent to the Upper House. Some 10,000 employees of state-run Indian companies, including insurers and banks, demonstrated in New Delhi last Monday to protest the legislation, which will open the sector to non-Indian investors.... Aon Capital Markets and Goldman Sachs & Co. have arranged a $100 million **catastrophe securitization deal** for Gerling-Konzern Globale Ruchvericherungs A.G. The notes, which have an initial maturity of five years and were priced at 450 points above the London Interbank Offering Rate, protect Gerling against losses related to Japanese earthquakes.

Ferry insured for disaster

16 lives lost as ship sinks off Norway's coast

By MARIA KIELMAS

HAUGESUND, Norway—The owner of the Sleipner, a Norwegian passenger ferry that sank the night of Nov. 26 after running aground off Norway's west coast, is insured for hull and liability losses from the accident.

The cause of the sinking, which killed 16 people, was under investigation last week and a public inquiry was scheduled to begin today. International liability conventions would limit the shipowner's liability per passenger, unless it is proved that the accident was caused by negligence.

The ferry, which came into service in August, was a high-speed, double-hulled catamaran with watertight passenger compartments and regarded as a state-of-the-art design.

The Sleipner was owned by Haugesund-based Hardanger Sunnhordlanske Dampskipsselskap. which is Norway's oldest and largest coastal ferry operator, according to Per Atle Tillnes, a vp for HSD.

HSD carried hull and hull freight insurance of 50 million Norwegian krone ($6.3 million) on the ferry. The hull coverage is written by the Bergen Hull Club, based in Bergen, Norway, confirmed Jostein Egeland, the club's claims director.

"For all practical purposes it is a total loss," said Mr. Egeland.

Liability insurance for the Sleipner's owner is written by Oslo-based protection and indemnity club, Assuranceforeningen Skuld.

The liability coverage conforms with international requirements under the 1974 Athens Convention of a maximum of 175,000 special drawing rights ($240,118) per victim.

Final compensation, however, is subject to the outcome of at least two inquiries into the accident and also depends on the family responsibilities and dependents of each victim, a spokesman for Skuld noted.

"We have advised them (the victims' families) to seek joint legal representation as this is a very difficult situation," he said.

A two-day public inquiry into the accident was scheduled to begin at the Stord District Court starting Dec. 6. Norway's Justice Ministry will

See **Ferry** *on next page*

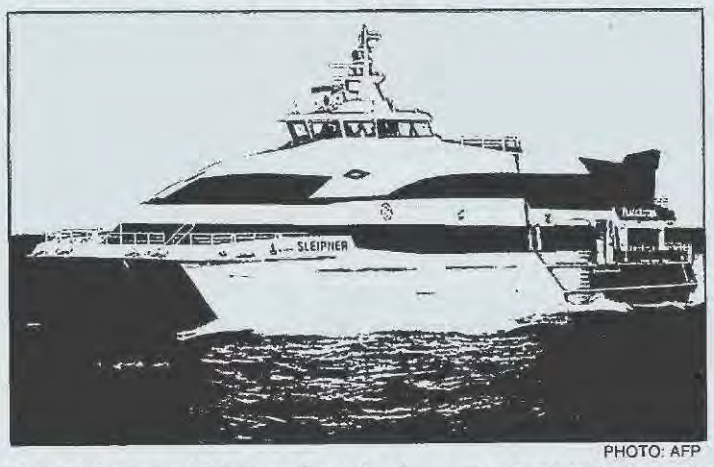


PHOTO: AFP

The Sleipner, which was launched as a passenger ferry only a few months ago, sank after it ran aground Nov. 26.

Disasters' effect on stocks studied

By KATE TILLEY

HOBART, Australia—A company's response immediately after a disaster has a major effect on how quickly its stock price will recover, says one researcher.

Deborah J. Pretty, a research fellow at the Oxford University in Oxford, England, and a former assistant director of Sedgwick Energy & Marine, outlined findings from her analysis of 15 publicly held companies that had suffered catastrophic losses.

The companies whose stock recovered most quickly after a disaster were those that were seen by shareholders and the public to respond well, with senior management taking responsibility and disseminating information quickly and continually after the event.

"Insurance cover was not responsible for driving the size of the loss (in shareholder value). Insurance is not enough to save the share price in a disaster. Softer, behavioral issues are more important," Ms. Pretty told attendees of the 23rd annual Assn. of Risk & Insurance Managers of Australasia conference, held in Hobart, Nov. 14-17.

For example, Ms. Pretty contrasted the effect on Johnson & Johnson's share price in separate product tamper and recall incidents involving Tylenol. She said the first incident, which occurred in 1982, saw an insured loss of $150 million. At the same time, it caused a $3 billion loss in market value as Johnson & Johnson's stock price plunged, with $1.5 billion "wiped off" the share value in the first week alone.

When a second tampering incident occurred in 1986, however, the company was better prepared to respond, and it also used the incident to spark an industrywide review of packaging procedures, she said. Johnson & Johnson's stock price returned to market expectations in the quarter after the 1986 incident.

Ms. Pretty said her research found the amount of publicity given to an incident was not important.

"Investors are not swayed by media hype," she said. A swift response by senior management,

See **Response** *on next page*

Additional ARIMA conference coverage will appear in next week's *Business Insurance*.

Growth of e-mail sends employer risks higher

Employers advised to place controls on use

By GAVIN SOUTER

LONDON—The rapid growth of e-mail in the past several years has created significant international liabilities that few businesses have effectively addressed, according to a London underwriter.

"It's like a gold rush. Everyone is using e-mail and the Internet, but there are no controls," said Elaine Perry, underwriter at CNA Re in London.

Businesses that do not impose strict controls on employees' e-mail use are exposing themselves to a wide range of anti-discrimination and harassment laws throughout the world, she warns.

Employers, she urged, should publish a prohibition on employees sending abusive and offensive e-mail, establish a monitoring policy, and strictly discipline employees who breach the protocols.

The growing number of businesses with international offices using e-mail has greatly increased the difficulty of controlling the liabilities involved, said Ms. Perry, who has authored a white paper on the subject for CNA Re.

"People haven't got their heads around the fact that an e-mail is a disclosable document. It's sent from one person to another and forwarded to others, who could be in different countries, and it can become a huge chain of abuse depending on your color, your orientation or your religion," she said.

More and more countries are enacting laws that raise the possibility of large discrimination or harassment awards, Ms. Perry said.

For example, she said, the United Kingdom recently amended anti-discrimination laws to include verbal and written harassment, she said. "The U.K. has become much more orientated to employees rights," Ms. Perry said. In addition, Israel recently passed legislation against sexual harassment, she said.

As a result of this increased international legislation, employees may expose a company to expensive international lawsuits by sending e-mails that are acceptable in one country but are deemed offensive in another, Ms. Perry said.

To protect themselves, employers should establish strict risk management protocols and distribute the rules to all staff, Ms. Perry wrote in the white paper.

See **E-mail** *on next page*

Blanch buys Crawley Warren

LONDON—E.W. Blanch Holdings Inc. is acquiring Crawley Warren Group Ltd., the London-based broker and risk management provider.

The $40 million takeover, subject to approval by Lloyd's of London, will result in Crawley Warren being merged with Blanch's existing London operations under the name Blanch Crawley Warren.

Bernard Warren, Crawley Warren's chief executive, would become its chairman.

Dallas-based E.W. Blanch, the world's fourth-largest reinsurance intermediary, said its interests in reinsurance, bloodstock and marine insurance brokering would be well complemented by Crawley Warren's interests in aerospace and accident and health insurance brokering.

—By Edwin Unsworth

Ferry

Continued from previous page
also appoint a special committee composed of government officials, shipping associations, insurers and various experts to investigate the accident.

The Sleipner ferry's design was regarded as state-of-the-art and was built by Austal Shipping Pty. of Perth, Australia.

According to a spokesman at the Det Norske Veritas ship registration agency in Oslo, there are about 1,000 such vessels in service around the world today and the Sleipner disaster was the first accident involving this design, after about 30 years in use.

The ferry was serving a route between Stavanger and Bergen on Norway's west coast. The north-south distance between the two cities is about 120 miles but the ferry covered a circuitous route along various fjords and numerous islands. The accident occurred at night, after the ferry left Haugesund, over half way to its northern destination, and struck rocks and ran aground near the Ryvarden lighthouse while steaming close to the shoreline.

The ship's captain reportedly radioed for help when the vessel started to loosen from its grounding site and fill with water. It sank five minutes later in water depths of 330 feet. The wreck was located soon afterwards by a seismic survey vessel equipped with a mini submarine. The seismic ship's crew reported that the crash had torn away a 20-foot section of the Sleipner's bow.

According to witness reports, the ship's captain waited 40 minutes after grounding the Sleipner before radioing for assistance. The captain, who was hospitalized after the accident, has only spoken to the police and some safety officials from HSD, said Mr. Tillnes of HSD.

Staff of a local rescue service in Sola, just five minutes by helicopter flight from the accident location, told the local media that more people could have been rescued had they been informed immediately of the crash.

Some 70 passengers were rescued but the total number of passengers is still uncertain. At least 80 passengers were on board. The ferry's captain did not follow regulations to record the number of passengers he was carrying before the vessel left from Haugesund, according to the local authorities.

Terje Gloeson, a vp of the Oslo-based Norwegian Shipowners Assn., said he believes that a number of factors contributed to the accident.

"It started with a grounding and the ship hit a rock. It was dark at night and perhaps the captain judged it would be better not to evacuate people," Mr. Gloeson said. He added that the sea temperature would have been about 50 to 54 degrees Fahrenheit (10 to 12 degrees Celsius) at the crash location, cold enough to cause rapid onset of hypothermia.

Weather conditions may have been a factor in the accident, as there was a severe storm that night.

The Sleipner was tested and authorized to work in sea conditions where median wave heights are less than one meter, or 3.3 feet. Both HSD and Austal confirmed that the vessel had not undergone heavy weather equipment deployment tests that would authorize the vessel to work in rough sea conditions where median wave heights are up to three meters, or 9.9 feet. The wave heights on the night of the accident were not immediately known.

Mr. Tillnes said that a vessel's captain makes a personal judgment about sea conditions based on his own experience. "That night it was nasty," he said. BI

Response

Continued from previous page
however, had a positive effect on stock performance, particularly when there was a sustained flow of information from the company beginning immediately after a disaster, she said. She urged companies to remember that they need to keep all stakeholders—investors, customers, suppliers and regulators—informed after a major loss, not just the media.

In a separate study, Ms. Pretty examined the effect of what she termed "creeping" catastrophes on the stock performance of 250 firms. The study explored mainly contingent liabilities, such as tobacco litigation, environmental pollution and asbestos.

The companies that fared best were the ones that transferred the risk, removing the financial uncertainty. Such moves, she said, had a positive impact on the companies' shareholder value.

For example, British company T&N P.L.C., a former asbestos mining company, faced asbestos-related litigation that was "crippling the share price."

Ms. Pretty said that in November 1996 the company announced it had purchased an environmental liability insurance policy with limits of £500 million ($800 million), with an excess layer taking coverage to £650 million ($1.04 billion), all for a premium of £92 million ($147.2 million).

The day that announcement was made, the company's price jumped 32%, climbing 42% by the end of the first week. "Investors readjusted their expectations as information was absorbed and digested. Capping long-tail asbestos liabilities allowed management to move forward, and the company became a takeover target," she noted.

Ms. Pretty said T&N was sold for £1.2 billion ($1.92 billion) a year after the insurance was put in place. Prior to obtaining the coverage, the company had been valued at £702 million ($1.12 billion).

She cited British Aerospace P.L.C. as another company that saw a boost in its stock performance after transferring risk. Two weeks after the company arranged an innovative, multiyear insurance package for liabilities involving residual value exposures on aircraft leases, its market value had increased by £1 billion ($1.6 billion), growing to £1.9 billion ($3.04 billion) within a month after the placement (*BI*, Dec. 14, 1998).

"Outsourcing risk can increase shareholder value in creeping catastrophes," Ms. Pretty said.

In a separate presentation, Les Coleman, treasurer of Melbourne, Victoria-based Mobil Oil Ltd., told the conference that intangible risks often are more costly to manage and control than are tangible ones.

These intangibles include the risk of failing to act on information, or being unable to filter useful information out of "everything that's thrown at us," he said.

"Traditional risk management ignores the potential for hazards to be embedded," he warned. "We need to look at the knock-on effects and the complementary processes."

He warned that management control of risks is weakening, and that risk managers frequently get "too bogged down in statistical analyses" rather than taking note of large risks facing their organization.

Technical expertise often rests with "people lower down the management scale, and they get very protective of their field." That makes it difficult for risk managers to fully assess the risks and their implications on other aspects of the business.

"We don't spend as much time as we should with the intangible risks. Distant risks often loom larger than those close at hand."

He said companies often needed "a wake-up call" to alert them to "buried risks" and risk managers needed to "take off their blinkers" to better identify embedded hazards.

Most big disasters, Mr. Coleman said, stemmed from risks that had been ignored or from a succession of small risks that, in isolation, were not thought capable of triggering a major catastrophe.

"Risk management focuses too much on the blindingly obvious, conventional, high-frequency risks. It is too little concerned with low-probability, high-cost disasters that could threaten firms' viability," he said. BI

E-mail

Continued from previous page
"Such a protocol should establish codes of conduct and procedures, stating what is and what is not acceptable. It should also warn of the implications for employees if they fail to comply with the protocol," the white paper states.

The protocols should:

- Prohibit employees from sending abusive, defamatory, sexist or racist messages and from downloading pornographic or other offensive material.
- Clarify for employees when e-mail can be used for personal use.
- Warn of the danger of sending confidential messages by e-mail or via the Internet.
- Notify employees that breaches of the policy may lead to disciplinary proceedings and dismissal.
- Remind staff that e-mail messages are not transient.
- Establish a monitoring policy.

"The benefits of e-mail undoubtedly outweigh the risks, although the dangers are real and employers should review their policies and procedures," the white paper says.

And employers that buy employment practices liability insurance should ensure that their policies are flexible enough to incorporate new areas of concern when they arise, the paper says.

The CNA Re white paper is available by calling 1-800-200-1546.

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IN THE MATTER OF
THE CHARTER REINSURANCE COMPANY LIMITED
AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTIFICATION TO SCHEME CREDITORS

NOTICE IS HEREBY GIVEN that by an order dated 11 October 1999 made in the above matter, the Court sanctioned a Scheme of Arrangement ("the Scheme") between The Charter Reinsurance Company Limited ("the Company") and its Scheme Creditors (as defined in the Scheme) following a meeting of its creditors held on 22 September 1999. On 12 October 1999 ("the Effective Date"), an office copy of that Order was filed with the Registrar of Companies and on that date the Scheme became effective.

Pursuant to the Scheme, Scheme Creditors have been sent Provision of Information Forms or, where appropriate, Broker Statements. It is a Provision of the Scheme that if a Scheme Creditor wishes to amend any of the information contained within a Provision of Information Form or a Broker Statement, he must amend his form and return it to the Joint Scheme Administrators within 91 days of the Effective Date. Therefore, all amended Provision of Information Forms or Broker Statements together with all relevant supporting documentation must be sent to the Joint Scheme Administrators by 11 January 2000.

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Partner

Continued from page 1

non-health benefits to domestic partners as a condition for operating at the airport (*BI*, July 12).

The airlines will appeal that portion of the judge's decision, the ATA spokesman said.

A year earlier, though, Judge Wilken generally upheld the San Francisco ordinance, though she ruled that the ordinance, as it applies to ERISA-covered benefits, was pre-empted by the federal Employee Retirement Income Security Act.

The judge said ERISA pre-emption applies only to airlines operating at the city-owned San Francisco International Airport because the city has a monopoly on airport facilities and therefore acts as a regulator (*BI*, April 20, 1998).

The judge held that in dealing with city contractors other than the airlines the city acts as a "market participant" and does not violate ERISA pre-emption provisions. In those cases the city can establish requirements for doing business with it, including requiring contractors to offer certain benefits.

Judge Wilken's ruling means the contract requirements under ordinances passed by Los Angeles and Seattle will not be pre-empted by ERISA considerations because the cities are not applying them to monopoly operations, sponsors of the measures in Seattle and Los Angeles said.

Cities, like any other consumer, may make demands of companies they choose to conduct business with, says Henry Saveth of William M. Mercer.

Their ordinances do not require contractors to provide benefits, they pointed out. The ordinances merely require that contractors who want to do business with the city provide equal benefits to domestic partners as are provided to spouses.

Los Angeles and Seattle likely would not succeed in fending off ERISA challenges by arguing they are not presenting contractors with a mandate, according to Henry Saveth, an attorney with William M. Mercer Inc. in New York. Their ordinances are a mandate for a generous form of dependent coverage, he said.

But the cities could withstand an ERISA challenge by arguing that they are not requiring all employers to provide domestic partner benefits, only those who want to do business with the city. Cities, like any other consumer, may make demands of companies they choose to conduct business with, Mr. Saveth said.

But so far business interests have not stepped up to challenge the new laws.

Seattle's City Council passed its ordinance Nov. 22.

The Greater Seattle Chamber of Commerce is concerned about increased government regulations on business, said Bill McSherry, public affairs manager for the Chamber. But the Chamber did not take a position on the ordinance because of members' competing interests, he added.

In Los Angeles, the City Council voted Nov. 17 to prohibit city agencies from contracting with any business that "discriminates in the provision of bereavement leave, family medical leave, health benefits, membership discounts, moving expenses, pension and benefits between employees with domestic partners and employees with spouses."

As in Seattle, to be eligible for domestic partner benefit coverage, employees in Los Angeles must sign a city registry attesting to a domestic partner relationship.

The Los Angeles ordinance applies to agency contracts in excess of $5,000 and that take effect after Jan. 1, 2000. The Seattle law applies to contracts in excess of $33,000 and takes effect June 1.

Such an ordinance, added to all the other mandates placed on employers, increases their costs and could drive struggling companies out of business, said Jerry Jeffe, legislative affairs manager for The Los Angeles Area Chamber of Commerce.

But faced with other priorities, the Chamber did not take a position on the ordinance, Mr. Jeffe said. Other business groups did not speak against it, either, he added.

The issue does not stir great interest because many governments, such as Los Angeles County, and numerous large employers now offer employees the opportunity to obtain coverage for domestic partners, Mr. Jeffe said.

Indeed, the number of entities offering domestic partner benefits continues to grow.

A 1994 study by Hewitt Associates L.L.C. found that fewer than 150 employers nationwide extended health and other benefits to domestic partners. Although Hewitt has not recently updated that study, the Washington-based Human Rights Campaign, a gay rights advocacy group, reports that domestic partner benefits are now offered by nearly 3,000 U.S. employers. BI

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LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE PETITION OF JOHN C. MCKENNA, AS JOINT PROVISIONAL LIQUIDATOR OF
NEW CAP REINSURANCE CORPORATION (BERMUDA) LIMITED,
AND PETITION OF JOHN GIBBONS, AS ADMINISTRATOR OF
NEW CAP REINSURANCE CORPORATION LIMITED,
CASE NO. 99-B-42752 (CB)

NOTICE IS HEREBY GIVEN THAT ON NOVEMBER 18, 1999, THE BANKRUPTCY COURT ENTERED AN ORDER AS AMENDED ON NOVEMBER 24, 1999 (THE "ORDER") CONTINUING THE PRELIMINARY INJUNCTION ORDERS PURSUANT TO 11 U.S.C. § 304 ORIGINALLY ENTERED IN THIS CASE ON MAY 7, 1999. THE ORDER SHALL REMAIN IN EFFECT PENDING A HEARING TO CONSIDER WHETHER IT SHALL BE CONTINUED, WHICH HEARING IS SCHEDULED TO BE HELD ON MAY 17, 2000 AT 2:00 P.M. (THE "RETURN DATE") BEFORE THE HONORABLE CORNELIUS BLACKSHEAR, IN ROOM 601 OF THE ALEXANDER HAMILTON CUSTOM HOUSE, ONE BOWLING GREEN, NEW YORK, NEW YORK. ALL PAPERS SUBMITTED FOR THE PURPOSE OF OPPOSING CONTINUATION OF THE ORDER AFTER THE RETURN DATE SHALL BE FILED WITH THE COURT, WITH A COPY TO THE CHAMBERS OF THE HONORABLE CORNELIUS BLACKSHEAR AND SERVED ON COUNSEL FOR THE PETITIONERS LISTED BELOW, SO AS TO BE RECEIVED AT LEAST FOURTEEN (14) DAYS PRIOR TO THE RETURN DATE. ANY PERSON WISHING TO OBTAIN A COPY OF THE ORDER SHOULD CONTACT COUNSEL TO THE PETITIONERS.

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LEGAL NOTICES

UNTIED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE PETITION OF GARETH HOWARD HUGHES, CHRISTOPHER JOHN WILKINSON HILL AND PAUL CLARKE, AS JOINT PROVISIONAL LIQUIDATORS OF
OCEAN MARINE MUTUAL INSURANCE ASSOCIATION LIMITED,
CASE NO. 99-B-42545 (BRL)

NOTICE IS HEREBY GIVEN THAT ON NOVEMBER 17, 1999, THE BANKRUPTCY COURT ENTERED AN ORDER AS AMENDED ON NOVEMBER 24, 1999 (THE "ORDER") CONTINUING THE PRELIMINARY INJUNCTION ORDER PURSUANT TO 11 U.S.C. § 304 ORIGINALLY ENTERED IN THIS CASE ON MAY 5, 1999. THE ORDER SHALL REMAIN IN EFFECT PENDING A HEARING TO CONSIDER WHETHER IT SHALL BE CONTINUED, WHICH HEARING IS SCHEDULED TO BE HELD ON MAY 3, 2000 AT 10:00 A.M. (THE "RETURN DATE") BEFORE THE HONORABLE BURTON R. LIFLAND, IN ROOM 623 OF THE ALEXANDER HAMILTON CUSTOM HOUSE, ONE BOWLING GREEN, NEW YORK, NEW YORK. ALL PAPERS SUBMITTED FOR THE PURPOSE OF OPPOSING CONTINUATION OF THE ORDER AFTER THE RETURN DATE SHALL BE FILED WITH THE COURT, WITH A COPY TO THE CHAMBERS OF THE HONORABLE BURTON R. LIFLAND AND SERVED ON COUNSEL FOR THE PETITIONERS LISTED BELOW, SO AS TO BE RECEIVED AT LEAST FOURTEEN (14) DAYS PRIOR TO THE RETURN DATE. ANY PERSON WISHING TO OBTAIN A COPY OF THE ORDER SHOULD CONTACT COUNSEL TO THE PETITIONERS.

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LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE PETITION OF MALCOLM L. BUTTERFIELD AND ANTHONY J. MCMAHON,
AS JOINT PROVISIONAL LIQUIDATORS OF
BELVEDERE INSURANCE COMPANY LIMITED,
CASE NO. 98-B-47660 (JLG)

NOTICE IS HEREBY GIVEN THAT ON NOVEMBER 18, 1999, THE BANKRUPTCY COURT ENTERED AN ORDER (THE 'ORDER") CONTINUING THE PRELIMINARY INJUNCTION ORDER PURSUANT TO 11 U.S.C. § 304 ORIGINALLY ENTERED IN THIS CASE ON NOVEMBER 4, 1998. THE ORDER SHALL REMAIN IN EFFECT PENDING A HEARING TO CONSIDER WHETHER IT SHALL BE CONTINUED, WHICH HEARING IS SCHEDULED TO BE HELD ON MAY 18, 2000 AT 10:00 A.M. (THE "RETURN CATE") BEFORE THE HONORABLE JAMES L. GARRITY JR., IN ROOM 610-2 OF THE ALEXANDER HAMILTON CUSTOM HOUSE, ONE BOWLING GREEN, NEW YORK, NEW YORK. ALL PAPERS SUBMITTED FOR THE PURPOSE OF OPPOSING CONTINUATION OF THE ORDER AFTER THE RETURN DATE SHALL BE FILED WITH THE COURT, WITH A COPY TO THE CHAMBERS OF THE HONORABLE JAMES L. GARRITY JR. AND SERVED ON COUNSEL FOR THE PETITIONERS LISTED BELOW, SO AS TO BE RECEIVED AT LEAST FOURTEEN (14) DAYS PRIOR TO THE RETURN DATE. ANY PERSON WISHING TO OBTAIN A COPY OF THE ORDER SHOULD CONTACT COUNSEL TO THE PETITIONERS.

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★ *Source Business/Occupational breakdown of qualified circulation, May 31, 1999 Issue, as submitted to BPA for June 1999 BPA Publisher's Statement*

Business Insurance
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Commentary

Health insurers, heal thyselves

These are exciting times in the property/casualty insurance industry.

Buyers and sellers alike are pushing the envelope ever further in regard to what risks they are willing to transfer and what tools they can use to do so.

Their enthusiasm for exploring alternatives is driven partly by the cost and limitations of traditional insurance, but also by a creative spirit that seeks new financial solutions for old ways of doing things.

There may be no limit to what risks one can blend, integrate, retain, securitize and transfer. Even the threat of firmer rates in the traditional insurance market is not slowing down this innovation and may even hasten its expansion.

Yet, for all this change, companies appear to be overlooking one area for which risk financing is woefully inefficient and outdated and actually threatens to cause new liability exposures for companies as a result of how it is now handled.

That area is the cost of providing medical care to employees.

Group health insurance is a dinosaur that is sorely in need of some of the innovative and creative thinking that is driving risk financing on the property/casualty side.

Health insurers need to stop trying to determine how medical care can be delivered more cheaply and focus first on whether there are better mechanisms for financing the basic layers of expenses, from first-dollar claims on up to catastrophic illnesses.


Paul D. Winston

Somewhere along the way, buyers and sellers alike confused the concept of underwriting the risk of expensive medical bills with actually intervening to try to change how medical care is delivered.

On the property/casualty side of things, it may make perfect sense for a buyer to have the expertise and tools needed to try to control its losses in order to keep its risk financing costs down. But relatively few companies—either buyers or sellers of health insurance—have any expertise in the practice of medicine, and their decisions on what to cover and what not to cover sharply reflect that.

The primary result of this haphazard attempt to "fix" the medical system has been largely to nickel and dime claimants and providers, a practice that has only alienated and angered both and that now is coming home to roost, bearing unwelcome offspring: a new flood of litigation from claimants, more coverage mandates by politicians and regulators and greater activism and revolt by medical providers themselves.

Consider the incoming tide of class-action lawsuits against HMOs, patient protection legislation in Congress that would greatly expand health plans' and employers' exposure to liability, more state benefit mandates and the doctors' efforts to form labor unions to battle managed care organizations.

UnitedHealthcare's decision to stop reviewing its doctors' treatment decisions is a good first step in extricating the payer from the medical delivery system, and it is welcomed by both claimants and providers. But other insurers, clearly fearful of what will happen to their costs if they similarly loosen the reins on medical providers, are not yet willing to take that step.

That is why some of the excess creativity and capacity in the insurance and reinsurance industry needs to be focused on the problem of financing health care costs. Both creativity and capital are sorely lacking in the health arena.

If a better mousetrap can be built, it will alleviate the tension that now threatens to sink the current health care system. Not only could new approaches help relieve the cost pressures on buyers and health insurers, but they also could prompt them to refocus on the proper role of health insurance: helping finance the cost of care.

Employers and their paid advisers can continue to push physicians to be more effective, using such measures as analysis of outcomes, benchmarking of practices and encouraging better use of information technology. Purchasing clout will still give them leverage to demand this.

For their part, doctors would likely have to step up their own oversight of peers and their profession to maintain quality, or else contend with malpractice liability and perhaps even government regulation and oversight, as is periodically proposed.

Maybe taking insurers out of the medical delivery system will cost employers more at first than the current model. Maybe quality care *should* cost more than we've been willing to pay. But maybe, by removing the source of constant battles among claimants, providers and payers, it will cost less.

Editor Paul D. Winston's commentary appears fortnightly. He can be reached at pwinston@crain.com

China

Continued from page 1

pension business. Foreign insurers now may sell only property and life insurance.

- Remove limits on the number of foreign licenses granted. Currently, no more than three licenses are granted per year. Also, foreign insurers must have total assets exceeding $5 billion, have a representative office in China for at least two years and show at least 30 years of continuous underwriting experience.
- Allow foreign non-life insurers to form wholly owned subsidiaries in China within two years. Currently, a licensed insurer can take 51% ownership of a joint venture with a local insurer and open a branch office.

Insurance executives hail the agreement, with an eye toward expanding into China.

"China represents one of the largest untapped markets available," said Dan Riordan, managing director of the political risk group of Zurich U.S. in Washington, which writes political risk insurance for banks and infrastructure developers in emerging markets. The insurer, which has a representative office in Beijing, is seeking authority to sell its products locally in China, he said. "China is an important market for any insurance company; one that can't be ignored."

Michael R. Turner, vp-staff marketing international for Factory Mutual Insurance Co., which does business as FM Global, noted the Johnston, R.I.-based insurer has "a growing number of businesses in the upper middle-market, and (the trade deal) brings opportunities for those companies to move to a large market."

"Our history comes through following our customer base around the world, bringing a level of consistency to a customer's insurance program and loss prevention program," he said.

Brokers are, less enthusiastic, though, because the deal did not address China's current restrictions on their activities.

The Council of Insurance Agents & Brokers criticized the agreement for not including reform of rules for intermediaries. "We understand the importance of this agreement for our insurance carrier colleagues, but we don't see the benefit of a trade agreement that fails to assure a modern distribution system to sell the products and services that insurance companies offer," said CIAB President Ken A. Crerar in a statement.

"Without intermediaries, consumers will be severely limited in the types of insurance products they can purchase. And choice is the key to any competitive system," he said.

Tim Higgins, senior vp of international operations for Lockton Cos. Inc. in Prairie Village, Kan., called the lack of brokerage reforms a "great shame." "This is quite frankly a detriment to all insurance brokers in terms of our ability to provide first-class service to clients in China," he said. It is bad for clients, "because we can't deliver hands-on, on-the-ground service in China the way that we need to be providing."

Terry Paradine, chairman of the Asia Pacific region for Marsh Inc. in Sydney, Australia, said he is confident, however, that the next rounds of financial services negotiations between the United States and China will include the role of intermediaries in China's insurance market. While intermediaries are not included at the moment, "the promise is not too far away," he said.

"We continue to be very positive about opportunities in China," Mr. Paradine said. Through its acquisition of Sedgwick Group P.L.C., Marsh has a limited license in China for consulting and reinsurance brokerage business. The license was recently reinstated after the China Insurance Regulatory Commission in May suspended Sedgwick Insurance & Risk Management Consultants (China) Ltd. from trading for allegedly violating the 1995 Insurance Law (*BI*, May 24).

For corporate risk managers, obtaining coverage for Chinese exposures has never been easy.

In addition to the strict laws and regulations that apply to risk managers' organizations, the recent crackdown by the CIRC on perceived violations has forced international brokers and insurers to remain at a distance, leaving policyholders' local managers to seal insurance deals by themselves (*BI*, Oct. 25).

The Chinese insurance market is "so nebulous and gray," said David Arick, manager-corporate insurance for Emerson Electric Co. in St. Louis, which has more than 15 manufacturing sites in China. "It's difficult to go in and figure out what to do to be in compliance with local norms."

"We welcome anything that will level the playing field, allowing us to manage risk in China as we do in other countries we deal with," Mr. Arick said, referring to the trade deal.

If China does join the WTO, insurance and brokerage executives say, risk managers with exposures in China will see their insurer choices expand along with more sophisticated products and services.

For buyers in China, it is "difficult" to obtain coverage locally because "there is a limited number of companies there they can use," said Peter Aubrey-Smith, an executive vp of St. Paul Re in New York who is responsible for offices in Asia. While buyers can get coverage, the opening of markets will expand the range of companies buyers can choose from, he said.

Claude Gallello, managing director of Willis International in New York, a unit of Willis Group Ltd., noted that "the addition of new insurers will facilitate more product development."

Indeed, "the international insurance and other service-related industries have a lot to offer China as its economy opens up," noted George Worsley, executive director of the Worldwide Broker Network, an international brokerage alliance based in London. "The skills and expertise as well as a vast array of products will become increasingly available to the Chinese domestic market."

For Louisville, Colo.-based Storage Technology Corp., the prospect of an open market in China has its risk manager optimistic about more choice among insurers.

"We are forced to buy insurance through a sanctioned insurance company in China," said Sherry Pixler. "We had no choice. I'd like to see choices because it will bring on competition," she said.

In addition to a sales office in Beijing, StorageTek has a contract manufacturing facility in China, which exposes StorageTek to business interruption claims, among other exposures. "The insurance program is of obvious concern for us because we depend upon the product they produce for us," Ms. Pixler said. "I did not feel comfortable with the insurance program exhibited to us by the contract manufacturer."

Because any interruption of business would occur in the United States, however, Ms. Pixler said she can buy a policy domestically to cover that exposure.

If China's markets open, Ms. Pixler predicts "we'll see a lot more insurance companies there; more choice; clearer definitions of who can insure what; and (more security) that coverage will be there if there is a claim."

John G. Pinner, assistant treasurer for Mattel Inc., said that he "would be thrilled" if China got into the World Trade Organization, because it would end annual debates in the United States over whether to extend most-favored-nation trading status to China.

If that status were ever rescinded, he explained, duties on imports from China could be raised and "we might not be doing as much in China" as a result, Mr. Pinner said. The El Segundo, Calif.-based toy manufacturer has several factories in China.

In terms of the potential for the insurance market to open in China, Mr. Pinner predicts that if that happens, as a risk manager, "I'll never notice the difference."

"Our biggest exposure is contingent business interruption and business interruption is covered through the U.S.," he said.

Henry Good, director of insurance for Rohm & Haas Co. in Philadelphia, also does not see much changing in the way he obtains coverage for the chemical manufacturer's several manufacturing plants in China due to the trade agreement.

"I think from a business side, we've been very successful operating in China," he said. While "our hands have been tied" in terms of obtaining insurance, "I don't see a trade bill changing that," he said, noting the exclusion of brokerage reforms in the agreement.

"I think anytime you get an agreement that says free trade, you get more credibility," he said. But "will it make it easier to do business in China? It will be a while before the Chinese allow that, even if there is a trade agreement," he said. "It will take time for the whole process to mature." BI

WTO protests disrupt Seattle stores

SEATTLE—Insurance should cover most of the millions of dollars in damage sustained by downtown Seattle businesses as a result of protesters who clashed with police over a three-day period last week.

Losses arising from "civil disorder" are regarded as "covered perils" in standard business property/casualty policies, so most of the damage should be covered by insurance, said Deborah Senn, Washington Insurance Commissioner. On Friday, she launched a toll-free help line to assist businesses affected by the demonstrations, which centered on World Trade Organization negotiations in Seattle.

The Downtown Seattle Assn. estimates that Tuesday's protests, which caused most of the damage, resulted in $1.5 million in property damage to downtown retailers, mostly in broken glass and graffiti. The association also estimates the downtown retail core had lost $7 million in business by Wednesday and would lose an additional $2.5 million each day as a result of Seattle's emergency restrictions on people coming downtown.

A spokesman for Seattle-based Starbucks Coffee Co. said its 26 downtown stores closed Wednesday in the interest of employee safety. Although many of its stores sustained graffiti, 23 were open on Thursday, he said. Three, which were more heavily damaged with broken windows, remained closed as of Friday.

The spokesman said Starbucks is still assessing its property and business interruption damage, but is adequately covered by a combination of self-insurance and insurance.

San Francisco-based Gap Inc.'s three clothing stores in downtown Seattle—The Gap, Banana Republic and Old Navy—were closed Tuesday and Wednesday due to the protests, a spokeswoman said. All had graffiti, broken glass and paint splatters.

"We don't have a damage estimate yet," she said, declining to discuss insurance coverage.

—By Sally Roberts

Maryland

Continued from page 2

restatement is an authoritative but non-binding treatise often cited by judges and lawyers (*BI*, June 16, 1997).

The Maryland case centered on whether a 1989 Nissan pickup should have prevented its driver's death in a 1994 collision. Donald Nave suffered fatal chest injuries when he smashed into his truck's steering wheel hub after the truck plowed into a jackknifed tractor-trailer.

In its lawsuit, Mr. Nave's family argued that the truck's steering column did not collapse as designed to absorb most of the force the collision generated. Instead, the family argued, Mr. Nave sustained most of the force.

Mr. Nave's pickup truck had an axial compression steering column, which was designed to collapse like a telescope during a collision.

The plaintiffs' experts testified that alternate steering column designs were available, were safer and had been incorporated in other vehicles. The experts, though, had not tested the Nissan or alternate designs, and some had never designed steering columns, court records show.

The jury awarded the Nave family more than $4 million in early 1998.

In an interview, Nissan attorney Joel Dewey noted the court, citing state law, refused to allow Nissan to inform the jury that Mr. Nave was not wearing a seat belt. Mr. Dewey and the Nave family's attorney, J. Brooks Leahy, disagreed as to whether a seat belt would have saved Mr. Nave.

After exhaustively re-evaluating the plaintiffs' expert testimony, the Maryland Court of Special Appeals found that the plaintiffs did not prove that the design of Nissan's steering column was defective.

In an opinion written by Judge James Salmon, the court ruled the plaintiffs failed to show that alternate designs used by other vehicle manufactures "could actually be incorporated in the Nissan pickup model that Nave was operating." The court said the plaintiffs should have produced design specifications to show how each alternate steering column could have been substituted for the column in the Nissan pickup truck.

The plaintiffs' experts also failed to show that alternative designs were safer than Nissan's design and would have saved Mr. Nave, the court ruled.

The plaintiffs also failed to show whether an alternative design would have been affordable and acceptable to consumers, the court ruled.

Even testimony by one of Nissan's experts, a former National Highway Traffic Safety Administration official, that one alternate design and the axial compression design would cost about the same to produce did not support the plaintiffs' argument, Judge Salmon wrote. Among other things, the NHTSA official did not provide any evidence that the alternate design would have been cost-effective in a 1989 Nissan pickup truck, the judge explained.

Mr. Leahy said he expects to appeal to the state's high court, the Court of Appeals, before year's end.

The intermediate court "expanded what was needed to be proved and didn't correctly review the decision," said Mr. Leahy, a partner at Dulany & Leahy L.L.P. in Westminster, Md.

"I think we showed that" an alternative steering column design was feasible in the 1989 Nissan pickup truck model, he said.

Mr. Bekman, the Maryland plaintiffs attorney, agreed the plaintiffs' evidence on alternate and safer designs used in other vehicles should have been sufficient for the court.

In addition, the appellate court should not have re-examined the evidence, plaintiffs attorneys said. The court should have focused only on the legal issues surrounding whether the plaintiffs provided enough evidence to allow the trial judge to submit the case to the jury, said the attorneys, including Brent Carpenter, chair of the products liability section of the Assn. of Trial Lawyers of America. Mr. Carpenter, however, is not a spokesman for the ATLA.

The "fact-finding role" the court took is part of "a trend that I find disturbing across the country," added Mr. Carpenter of Carpenter & Carpenter P.C. in Sugarland, Texas.

A defense attorney not involved in the case agreed the appellate court analyzed the evidence much more closely than appellate courts typically do. But, the court did not overreach its authority, as it "should determine where the opinions of experts have no basis," said David Schlecker, a partner with Anderson Kill & Olick P.C. in New York. He also noted that the court cited other state court opinions to support its ruling.

Mr. Dewey, Nissan's attorney, said the decision strikes a blow against plaintiffs' use of unqualified experts who can provide only speculation but no test results on a defendant's product. Mr. Dewey is a partner with Piper Marbury Rudnick & Wolf L.L.P. in Baltimore.

"This decision is a block against liability by abstraction," said Mr. Schwartz of ATRA.

Courts should require plaintiffs to prove the feasibility of their assertions in product design defect cases, because a plaintiff's victory condemns an entire product line, he said. By comparison, after a plaintiff's victory in a failure-to-warn case, the defendant "can go out the next day and fix that without much problem."

Mr. Schwartz noted that successful plaintiffs in other, high-profile design defect cases have presented the type of evidence the Maryland appellate court required. In one of the more famous cases, plaintiffs in 1978 showed how Ford Motor Co. could have cost-effectively redesigned the 1972 Pinto to greatly reduce the potential of gas tank fires in rear-end collisions.

He also said he would not characterize the ruling as a "radical decision" because the latest restatement of torts incorporates the alternate design feasibility standard that the Maryland appellate court applied. The previous version gave courts far more leeway in how they could evaluate whether a product design was defective.

That restatement was based on a 10-year trend in court rulings, Mr. Schwartz said. But courts, including the Maryland appellate court, have not yet adopted or rejected the new restatement, and the Maryland courts did not rely on it in the Nissan case.

Mr. Dewey said that because this ruling fleshes out the evidence standard more than courts in other states have done, it likely will be "extremely significant" in automobile design defect cases and at least "moderately significant" in other product liability cases outside of Maryland.

Mr. Schlecker agreed that, because of the court's detailed analysis, product design defect defense attorneys outside of Maryland likely will cite the decision.

Mr. Carpenter said he would expect defense attorneys to make arguments based on the appellate court's ruling but not cite the case specifically. Courts in other states would not be influenced by the decision, he said.

He also said that the case was so fact-specific that it probably will have little relevance even in Maryland.

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Nissan Motor Co. Ltd. et al. vs. Judith A. Nave et al., Maryland Court of Special Appeals, Nov. 4; No. 1700.

Hurricane

Continued from page 1

"That forecast was right on," said Mr. Baker. This year there were 12 named tropical cyclones—compared with an annual average of 9.9 from 1950 to 1998, according to NOAA.

Eight of the 12 were hurricanes, five of which were major hurricanes with windspeeds of 111 mph or more. In fact, those five major hurricanes all became Category 4 hurricanes—packing winds of 131 mph or more. That was the largest number of Category 4 hurricanes in a single season since record-keeping began in 1886.

This year's hurricane season and the possibility of an equally destructive one ahead should remind risk managers and loss control officials that catastrophe planning is a continuous process, not something that's put together as a storm approaches, say property loss control experts.

Now's the time to review plans and prepare for next year, they advise.

"In our business, it's never too early" to start preparing, said Dennis Anderson, vp and division engineering manager in Park Ridge, Ill., for Factory Mutual Insurance Co., which does business as FM Global.

"I think the key to this is simply preparation. A warning before the storm is just not enough. Management has to develop and maintain a written pre-emergency plan that clearly defines all facets of emergency response and recovery operations at their facilities," said Grayson Gilbert, assistant vp-area loss prevention, in the Atlanta office of Hartford, Conn.-based HSB Industrial Risk Insurers.

"We work really hard with our customers to keep them informed, not just before a storm but all year long. Proper construction along with proper planning and execution of a pre-emergency plan is critical in minimizing hurricane losses," he added.

Mr. Anderson cited 1992's Hurricane Andrew and 1998's Hurricane Georges as key mileposts on the route toward more effective loss control.

Improvements in roof attachment and glass have been made since Andrew. "If you can keep the building envelope whole, you're a long ways from being in big trouble," he said.

"A year ago, when we had Hurricane Georges, we had some very good experience as a result of the improvements that were made following Andrew and the busy hurricane year of 1995. After Andrew, we took a hard look at every facility in the Caribbean and on the whole East and Gulf Coasts and made recommendations on a building-by-buildir.g basis, and we had many customers make the improvements," Mr. Anderson said.

The hurricane turned out to be an "excellent test" of those improvements, he said. The improved facilities fared excellently, while neighboring structures that didn't undergo improvements suffered damage. "It was the most wonderful validation" of the Factory Mutual standards, he said.

Mr. Anderson said FM Global is "pretty much staying the same course we've been on since Hurricane Andrew." That includes making sure the roof and flashing are secured, as well as paying attention to windows, because they're vulnerable to breakage.

"We strive to make sure that if there is material stored in the yard, they know how to make sure those don't become projectiles and usually there is some degree of flood hazard that needs to be considered along with wind hazard. We learned that well in Floyd—when you drop 20 inches of rain, little creeks become raging rivers," he said.

With the hurricane season officially over, risk managers should review how their plans fared, said Steven W. Sachs, senior vp and manager-risk management services division for Atlanta-based Hobbs Group, L.L.C.

See **Hurricane** *on next page*

Updates

BF&M settles lawsuit

Continued from page 2

Problems at Bermuda Fire & Marine date back to 1990, when the H.S. Weavers Underwriting (Agencies) Ltd. line slip collapsed under the weight of massive environmental and asbestos claims. Bermuda Fire & Marine had participated on the London-based line slip.

In 1991, company officials decided to spin off the profitable domestic business into BF&M Ltd. and keep the loss-riddled international business in Bermuda Fire & Marine, which later was placed in liquidation.

The liquidators sued BF&M and its management, alleging that to meet liabilities, Bermuda Fire & Marine should have retained the more than $42 million in assets it transferred to BF&M at the time of the spinoff. According to the latest liquidators' report, Bermuda Fire & Marine is insolvent by $453.3 million.

The trial began in May 1999 and was projected to last through next year.

Under terms of the settlement, BF&M will pay the liquidators $35 million in cash and grant an option to buy 1 million shares in BF&M at $12.40 a share Jan. 1. BF&M shares were suspended from trading in 1995 and last traded on the Bermuda Stock Exchange at $6.50.

Parental leave proposed

WASHINGTON—Reiterating a statement made earlier this year, President Clinton formally released a proposal to allow states to offer new parents paid leave using residual monies from unemployment insurance funds.

The Family and Medical Leave Act of 1993 provides for unpaid leave only.

Business groups objected to the president's proposal, saying it will force employers to bear additional costs.

Unveiling the proposal last week, the president stressed that states' participation would be voluntary.

Mike Bartlett, manager of labor law policy for the U.S. Chamber of Commerce in Washington, said the proposal jeopardizes the stability of the unemployment compensation system and asks employers to shoulder additional cost burdens.

In its present form, the current cost of all unemployment benefits and administration is $30 billion per year, Mr. Bartlett said. If the proposal is finalized, the costs will increase by an estimated $14.4 billion, he said.

Eric Oxfeld, president of Washington-based business group UWC-Strategic Services on Unemployment and Workers Compensation, said the proposal is "based on the erroneous idea that there are unused pots of money that belong to the government and that can be used to enlarge the social welfare state." He noted the current labor shortage could hurt the economy and increase the need for the unemployment insurance fund.

Combined with the ergonomics proposal, this will put a tremendous burden on employers, he said. "Bottom line, employers will pay."

Anthem settles Kentucky suit

FRANKFORT, Ky.—The Kentucky subsidiary of Anthem Insurance Cos. Inc. will fund a $45 million state charitable foundation as part of a settlement reached last week with Kentucky Attorney General Albert B. Chandler III.

The Indianapolis-based mutual insurer, which operates Blue Cross & Blue Shield plans in seven states, came under fire with the Kentucky attorney general in 1997 over its 1993 merger with BC/BS of Kentucky.

Mr. Chandler sued Anthem in 1997, alleging it improperly transferred charitable assets out of Kentucky when it merged with the Blues plan four years earlier. Anthem denied the claims (*BI*, Nov. 3, 1997).

"It is fair to say that both parties brought honest and firmly held differences of opinion to this complicated legal issue," Anthem said in a statement. "However, we are pleased that we were able to arrive at a settlement that creates a foundation dedicated to serving the health needs of the citizens of Kentucky."

Charitable assets became an issue with Blues plans in 1996 when Blue Cross of California converted to for-profit status after merging with its publicly held subsidiary, WellPoint Health Networks Inc. As part of the conversion, Blue Cross of California transferred more than $3 billion to charitable foundations at the request of state legislators (*BI*, June 3, 1996).

Earlier this year, Anthem settled similar charitable assets claims made against its Blues plans in Connecticut and Ohio.

Briefly noted

Ronald E. Ferguson, chairman and CEO of Stamford, Conn.-based General Re Corp., a unit of Berkshire Hathaway Inc., is recovering after a subarachnoid hemorrhage, a hemorrhage near the brain, on Nov. 19. A Gen Re spokeswoman said he was discharged from the hospital last week and is working from home, communicating via e-mail. Mr. Ferguson is expected to make a full recovery and return to the office next month, she said. . . .**Markel Corp.** has appointed Paul W. Springman as president of its new Markel-North America Division, created as part of a reorganization following Markel's agreement to acquire Terra Nova (Bermuda) Holdings Ltd. Mr. Springman, former president and chief operating officer of Markel unit Shand Morahan & Co. Inc., will be succeeded in those posts at Shand Morahan by current Executive Vp and Chief Administrative Officer Michael A. Rozenberg. . . .Hewitt Associates has announced the purchase of **Farell Actuarios Asociados**, a benefit consulting firm based in Mexico City. Farell, with more than 20 consultants, will merge with Hewitt's existing Mexico City office, the company said. No purchase price was announced. . . .Former New York Giants wide receiver **Philip J. McConkey** is suing former Alexander & Alexander Services Inc. Chairman and CEO Frank Zarb; Aon Corp., which bought A&A in 1997; and A&A in Superior Court in Newark, N.J. Mr. McConkey alleges that when he gave up another job to join A&A in 1996 he was misled over the prospects of a future sale of A&A. . . .TIG Reinsurance Co. has completed its acquisition of Stamford, Conn.-based Odyssey Reinsurance Corp., renaming it **Odyssey America Reinsurance Corp.**

Surcharge

Continued from page 1

City. If his or her employer had failed to elect to pay the surcharge directly to the state pool, providers would tack on surcharges totaling as much as 57.27% to the employee's medical bill.

To avoid the surcharge, employers and plan administrators initially were given only until Dec. 2, 1996, to mail an election form indicating they would directly pay the 8.18% surcharge to the state pool. Since then, the state has given employers and plan administrators periodic opportunities to file the necessary application agreeing to pay the lower surcharges directly to the pool administrator. But those elections only applied prospectively.

Initially, the law and the potential to be hit with huge surcharges triggered a mad scramble for election forms.

"It was a disaster for the first three months. A lot of people never heard of the law," said Elliott Shaw, director of government affairs for The Business Council of New York State in Albany.

But most employers, at least larger companies and those in the New York area, met the filing deadline and were not hit with the higher surcharges.

"I have not heard of any horror stories about employers being hit with the additional surcharges. Things have been going pretty smoothly," said Pat DiLieto, a compliance specialist with The Segal Co. in New York.

While administration of the surcharge law may be going smoothly, employers intensely dislike the law and want legislators to at least pare back the surcharges and assessments.

State business groups say it is unfair to have New York employers subsidize the cost of graduate medical education through the covered-lives assessment.

Their objection, among other things, is that the money raised by the assessment helps pay the cost of the training provided in state teaching hospitals to interns and residents—many of whom later leave the state. Business groups also contend it is unfair for employers that are not in areas with such teaching hospitals to subsidize the cost of those facilities.

"This is a unique tax assessed of the business community to pay for educating doctors we don't need and (who) often end up leaving the state," said Mr. Shaw.

Others complain that the surcharges for indigent care are unfair to employers that already pay for health care coverage for their employees.

"From the start, employers have felt they were paying twice for health care. Once for their own employees and then for others" through the surcharges and assessments, said Richard Sinni, group health care practice leader in the New York office of Watson Wyatt Worldwide.

"If it is deemed good public policy to take care of the indigent, then financial support should come from general taxes and not from the health care bills of those who happened to be sick," said Dick Dobell, president of Sieba Ltd., a third-party claims administrator in Endicott, N.Y.

The cost of the surcharges and assessments also discourages some smaller companies from offering health care plans, resulting in an increase in the number of uninsured.

"As costs go up, employers are less likely to offer health care plans to their employees," said Mark Alesse, state director of the National Federation of Independent Business in Albany.

While employers are lobbying to have the assessments and surcharges reduced, if not eliminated, it is uncertain—with the 1996 law's expiration date nearing—what state legislators will do. If the law expires, the state no longer will have the authority to impose the surcharges or covered-lives assessment.

This summer, the New York Assembly passed a measure that would slightly modify the 1996 law. Under that measure, the surcharges would be eliminated on hospital outpatient and emergency room services, laboratory services and primary care services provided by community health care services providers.

The surcharge would be retained on hospital inpatient and ambulatory service centers. To make up for the revenue loss, however, the covered-lives assessment would be increased, with the exact amount to be calculated by the New York Department of Health.

The state Senate did not consider any proposals, and no action is expected there until Gov. George Pataki unveils his own proposal for revising the 1996 law, which is expected soon.

"The ball right now is in the governor's court," said a spokeswoman for the New York Healthplan Assn., a managed care plan trade group in Albany.

With time running out, some say legislators might simply renew the current law for one more year and work on a more comprehensive approach next year.

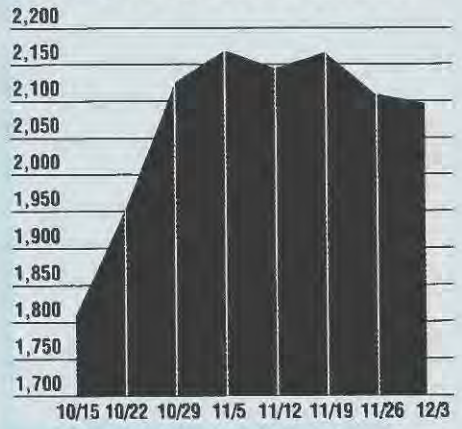
"There has been discussion of a one-year extension," said a spokeswoman for the Albany-based Healthcare Assn. of New York, which represents New York hospitals and other providers.

Plan administrators say if legislators made major changes to the law now and put those changes in effect Jan. 1, it would be difficult, if not impossible, for them to make the needed adjustments to their software and computer systems in time.

"The only practical changes, at this point, will be eliminate the law, extend it a year or make only slight alterations," said Mr. Dobell.

"If I were a betting person, I'd say the status quo will remain well into 2000," said Mary Case, a principal with PricewaterhouseCoopers in New York. BI

BI Insurance Index



Source: *CNET Investor* (investor.cnet.com) Boulder, Colo.

PCS catastrophe options

As of Dec. 3

Call spread	Price bid/ask
National Annual 1999	
60/80	14.0/19.5
80/100	0.4/—
100/120	0.1/—
150C	0.1/2.0
Eastern December 1999	
10/20	—/4.0
20/30	—/2.0
40/60	—/2.0
60/80	—/1.8
Southeast December 1999	
40/60	—/1.8
60/80	—/1.6
80/100	—/1.4

Call spread	Price bid/ask
California Annual 1999	
60/80	0.1/—
80/100	0.1/0.4
100/150	0.1/0.8
Western Annual 1999	
80/100	—/1.9
National Annual 2000	
100/150	6.7/—
150C	5.0/—
190/195	0.3/0.5
200/250	3.0/—

Total volume: 0 Total open interest: 6,737

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.

Source: Chicago Board of Trade

Hurricane

Continued from previous page

"You reassess: How did I do? What went well? What do we need to do better?" said Mr. Sachs, who serves as risk manager for The Rouse Co., a Columbia, Md.-based real estate developer and manager.

"Now's the time you can make adjustments to see what worked, what didn't work and what you can improve upon. It's not a fixed process—it's a continual cycle," said Mr. Gilbert.

That type of planning paid off for HSB IRI client Nashville, Tenn.-based Columbia/HCA Healthcare Corp. during Hurricane Floyd, he noted. When Floyd struck, Columbia/HCA's Brunswick Hospital in Supply, N.C., was ready.

"There's no question that the joint effort of our corporate and local facility staff working with our insurers have had an impact on facilities' preparedness," said Joseph Haase, assistant vp-insurance for Columbia/HCA in Nashville.

Hospital personnel wrapped equipment in plastic to prevent water damage before the storm. Staff also began conducting a pre-emergency check and "this is where you see the emergency plan was in action," said Mr. Gilbert.

The roof and roof drains also were inspected. A 10,000-gallon emergency generator fuel tank was filled and inspected and additional emergency supplies were purchased, he said. Salvage procedures also were initiated after the storm.

"In summary, there's no question that planning is a lengthy, complex process, but I feel clients like Columbia/HCA will tell you that it is well worth the investment," Mr. Gilbert said.

"There are a lot of people who can take credit for an excellent preparedness program here at Columbia. One of those groups is our corporate loss control and risk management department. Another is our engineering department and probably the most important are the individuals at the local facilities," said Mr. Haase.

Hobbs Group's Mr. Sachs noted that Hurricane Floyd underscored the importance of looking closely at all exposures. Some people were taken by surprise by the flooding that accompanied the storm, when perhaps they should have expected problems, he said.

Mr. Sachs said that risk managers often look at a storage facility and ask if it is adequately sprinklered. "You might want to see if it's near a creek as well," he said. BI

British Issues

Companies	Price pence	P/E	Div. pence	Yield %	52-week high-low
Legal & Gen	170	20.8	3.6	2.2	237-142
Royal & Sun	396	NA	23.0	5.9	633-379
Brokers					
Lmbrt Fenchurch	140	13.8	4.2	3.0	142-58
JLT	247	11.1	12.0	4.9	286-166

Note: Prices are Dec. 3 closings; other numbers from Dec. 2.

Source: *CNET Investor* (investor.cnet.com) Boulder, Colo.

BI Industry Stock Report NOV. 29, 1999, THROUGH DEC. 3, 1999

BROKERS		Price	Weekly % change	Year to date % change	Year to date High	Low	Vol.(000)
Aon Corp.	NYS	35.75	-6.38	-4.35	46.69	26.06	3254
Clark Bardes Holdings	NDQ	12.25	-8.41	-27.46	21.00	11.63	78
E.W. Blanch Holdings Inc.	NYS	58.13	1.20	24.50	71.75	40.25	300
Gallagher Arthur J. & Co.	NYS	55.44	3.38	26.71	57.25	42.25	212
Hilb, Rogal & Hamilton	NYS	26.81	-0.69	43.96	27.38	15.56	34
Kaye Group Inc.	NDQ	9.00	0.00	24.14	9.25	5.00	6
Marsh & McLennan	NYS	81.00	5.11	37.00	83.38	54.81	3067
Brown & Brown	NYS	38.00	-0.98	8.77	39.44	29.31	41
BROKERS	AVERAGE		1.34	27.51			
INSURERS/REINSURERS							
ACE Ltd.	NYS	17.75	-1.39	-45.70	35.25	15.50	5464
Accel International Corp.	NDQ	1.06	0.00	-64.58	3.38	0.50	11
Acceptance Insurance Cos.	NYS	5.81	-11.43	-70.75	20.44	5.81	481
AEGON N.V.	NYS	91.13	-0.34	-25.27	130.13	69.63	429
Aetna Life & Casualty	NYS	59.56	8.42	-25.37	99.88	46.50	5345
AFLAC Inc.	NYS	50.06	1.26	13.78	56.75	36.88	2722
Allmerica Financial Corp.	NYS	55.00	-0.90	-2.87	64.81	46.06	892
Allstate Corp.	NYS	27.25	-2.68	-29.22	42.19	22.88	15157
Ambac Financial Group	NYS	56.88	7.06	-5.11	63.00	44.69	2354
American Financial Group	NYS	26.25	-4.55	-36.27	43.88	25.31	291
American General	NYS	74.19	-0.92	-5.19	82.19	61.88	2505
American Intl Group	NYS	104.00	-2.92	33.50	111.94	69.38	12823
American Safety Insurance	NYS	6.81	0.93	-28.29	10.38	6.38	30
Argonaut Group	NDQ	23.38	3.31	-2.60	28.38	21.63	558
AXA-UAP Group	NYS	71.94	6.18	0.52	80.25	53.75	412
Baldwin & Lyons Inc.	NDQ	21.56	3.60	-7.75	26.00	19.63	21
Berkley W.R. Corp.	NDQ	22.00	1.15	-34.81	36.50	20.63	382
Berkshire Hathaway Inc.	NYS	56600.00	-3.41	-17.13	81100.00	54200.00	2
Capital RE Corp.	NYS	13.81	-2.21	-29.39	22.25	9.44	505
Capitol Transamerica Corp.	NAS	11.25	-5.76	-36.40	19.50	11.25	42
Centris Group Inc.	NYS	12.31	1.55	31.33	14.06	7.50	116
Chubb Corp.	NYS	55.69	3.36	-14.24	76.38	44.00	3469
CIGNA Corp.	NYS	82.88	2.63	6.59	98.63	63.44	4085
Cincinnati Financial Corp.	NYS	32.25	-6.52	-9.63	42.50	30.69	2018
Citigroup	NYS	56.75	5.34	68.36	58.25	30.38	52920
CNA Financial Corp.	NYS	41.63	5.88	5.88	45.31	33.00	533
CNA Surety	NYS	10.75	-3.37	-28.03	16.00	9.75	272
EMC Insurance Group Inc.	NDQ	9.75	-5.45	-23.53	13.38	9.25	25
ESG Re Limited	NDQ	5.56	-3.26	-71.92	22.25	5.13	308
Enhance Financial Services	NYS	17.06	-5.21	-43.60	30.38	15.56	376
Everest Reinsurance	NYS	23.75	1.88	-35.26	38.94	20.50	1382
Fremont General Corp.	NYS	5.19	1.22	-78.50	25.69	4.69	2318
Frontier Insurance Group	NYS	3.31	-3.64	-73.50	17.25	2.75	2222
Gainsco Inc.	NYS	5.75	-2.13	-8.91	6.94	3.94	142
Harleysville Group	NDQ	14.75	0.85	-42.16	26.13	13.13	176
HSB Group Inc.	NYS	35.06	0.72	-12.75	42.25	33.25	316
HCC Insurance Holdings	NYS	10.56	1.20	-37.64	25.13	8.00	933
ING Groep N.V.	NYS	57.75	-4.84	-5.33	70.00	21.00	360
IPC Holdings Ltd.	NDQ	18.38	3.52	-19.23	24.13	15.38	279
Hartford Financial Services	NYS	46.00	0.96	-17.58	66.44	36.50	4865
LaSalle Re Holdings Ltd.	NYS	12.50	1.01	-39.39	25.63	10.88	251
Lincoln National	NYS	41.75	-3.75	0.75	57.50	36.00	2668
MAIC Holdings Inc.	NYS	21.88	-3.05	-31.64	33.13	21.25	109
Markel Corp.	NYS	149.50	-7.11	-17.06	193.00	147.00	143
MBIA Insurance Group	NYS	51.63	1.47	-22.15	71.88	45.00	2034
Meadowbrook Insur. Group	NYS	5.56	-8.25	-65.90	17.44	5.38	131
MMI Cos. Inc.	NYS	3.44	-23.61	-79.40	18.13	3.44	639
Mutual Risk Mgmt. Ltd.	NYS	14.06	-9.64	-62.93	43.25	9.81	1142
Navigators Group	NDQ	12.00	-1.03	-21.31	16.13	11.88	2
NYMagic Inc.	NYS	14.13	-4.24	-32.34	21.38	12.00	23
Ohio Casualty Corp.	NDQ	15.69	-0.40	-23.71	21.69	14.88	959
Old Republic Int'l	NYS	12.50	-3.85	-41.69	22.75	12.06	2108
Partner Re Ltd.	NYS	30.94	0.81	-31.54	46.50	28.56	2452
Penn-America Group Inc.	NYS	7.88	8.62	-14.86	11.44	7.00	66
PMA Capital Corporation	NDQ	19.63	-0.95	0.32	21.13	17.38	231
Philadelphia Cons. Holding	NDQ	15.19	5.19	-28.53	25.50	10.81	211
PXRE Corp.	NYS	11.50	-11.54	-54.46	26.25	9.94	101
Reliance Group Holdings	NYS	5.50	41.94	-57.49	13.75	2.81	5734
ReliaStar Financial Corp.	NYS	44.25	4.42	-1.12	49.81	31.69	1331
RenaissanceRe Holdings Ltd.	NYS	40.88	0.00	13.15	43.19	30.00	512
Risk Capital Holdings	NDQ	12.91	6.99	-38.91	22.63	11.00	214
RLI Corp.	NYS	33.88	-2.17	1.50	38.81	27.88	124
St. Paul Cos.	NYS	31.75	2.83	-9.29	37.50	25.38	3121
SCOR	NYS	45.75	2.38	-29.62	68.50	44.00	22
SAFECO Corp.	NDQ	24.06	-5.64	-43.38	46.75	23.50	5325
SCPIE Holdings Inc.	NYS	34.50	-0.90	14.76	36.06	23.69	NA
Selbels Bruce Group	NDQ	2.25	2.86	-35.71	6.25	1.69	248
Selective Ins. Group	NDQ	17.69	0.89	-12.65	22.50	17.25	319
Terra Nova Ins Co. Ltd.	NYS	28.75	-4.17	17.95	32.63	21.25	909
Tokio Marine & Fire	NDQ	66.50	3.10	12.95	67.00	50.00	121
Torchmark Corp.	NYS	31.88	-2.86	-8.27	38.94	24.56	2449
Transatlantic Holdings	NYS	78.31	4.50	3.55	80.50	69.06	67
Travelers Property Casualty	NYS	34.56	1.28	12.86	41.88	27.69	1572
Trenwick Group Inc.	NYS	20.06	1.58	-36.56	35.25	16.50	446
Unico American Corp.	NDQ	7.03	2.27	-39.02	13.75	6.38	91
United Fire & Casualty	NDQ	21.47	-5.37	-35.49	37.00	20.50	20
Unitrin	NDQ	38.25	3.90	7.94	42.38	30.50	435
UNUM Corp.	NYS	32.25	-3.37	-46.19	62.50	26.00	3530
Vesta Insurance Co.	NYS	4.06	-1.52	-29.35	8.38	3.38	428
XL Capital Ltd.	NYS	51.31	-1.56	-28.30	77.25	41.94	3589
Zenith National Ins.	NYS	20.06	-4.18	-13.24	26.69	19.56	112
INSURERS/REINSURERS	AVERAGE		-0.13	-20.81			
HEALTH MAINTENANCE ORGANIZATIONS							
Foundation Health Systems Inc.	NYS	9.06	-1.36	-17.61	20.06	6.25	3170
Humana Inc.	NYS	6.94	-6.72	-63.37	21.38	5.88	4598
Oxford Health Plans	NDQ	16.19	0.78	15.63	24.25	9.75	6452
Pacificare Health Sys.	NDQ	47.06	-8.73	-34.18	100.38	31.13	2480
Safeguard Health Enter.	NDQ	0.59	-5.12	-83.35	5.25	0.44	739
Sierra Health Services	NYS	8.94	-7.14	-57.19	24.94	7.19	338
United HealthGroup	NYS	54.06	2.13	21.32	70.00	39.38	4266
Wellpoint Health Networks	NYS	60.31	0.52	-29.77	97.00	48.25	1899
HMOs	AVERAGE		-3.21	-31.07			
ALL COMPANIES	AVERAGE		-0.67	-8.12			

Top advancing issues: Reliance Group Holdings, Penn-America Group Inc., Aetna Life & Casualty. Leading decliners: MMI Cos. Inc., PXRE Corp., Acceptance Insurance Cos. Most active issue: Citigroup. The *BI* Index fell 0.6%; the Dow Jones 30 Industrials gained 2.5%; the S&P 500 increased 1.1%, and the NYSE Composite advanced 1.1%. Average P/E: Brokers, 18.0; Insurers/reinsurers, 19.6; HMOs, 13.4.

Source: *CNET Investor* (investor.cnet.com), Boulder, CO

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