

FEBRUARY 18, 1985

update

**Cologne Re stops writing facultative casualty business**

STAMFORD, Conn.—Cologne Re-insurance Co. of America's casualty facultative department has suspended underwriting all new and renewal business because of problems in lining up retrocessionaires, according to Bill Wood, Cologne Re's vp and treasurer.

Cologne Re will honor all current binders and no cancellations will be issued on certificates in force, Mr. Wood said.

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# business insurance

Reporting weekly for corporate risk, employee benefit and financial executives/\$1.50 a copy; \$52 a year

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## The crisis grows

### Asbestos property damage could cost billions of dollars

By STEPHEN TARNOFF

A new chapter in the tangle of asbestos-related litigation opens this week in a U.S. District Court in Knoxville, Tenn.

A Tennessee county will attempt to prove that asbestos producers are liable for the costs of removing asbestos and repairing walls and ceilings in two local school buildings built during the 1960s.

When *County of Anderson vs. United States Gypsum Co.* goes to trial Tuesday, it will mark only the second time that a so-called asbestos property damage suit has reached the trial stage. A similar trial began last year in a South Carolina court, but the claim was settled during the trial.

The asbestos producers will closely watch the Tennessee trial because of the astronomical stakes—possibly

billions of dollars—that are involved in all of the property damage claims pending around the country.

Although the lawsuits filed against asbestos producers by persons who allege they were injured by exposure to asbestos greatly outnumber the property claims currently filed, some say the property damage claims could cost the producers more than the personal injury claims.

"From a money standpoint, the potential is probably a lot worse than the personal injury cases," says Barron Grier, an outside counsel for W.R. Grace & Co., a major defendant in the property damage litigation.

The litigation "looks like a never-ending proposition," adds Mr. Grier

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Graphic: Amy Palmer

## Property damage suits raise new coverage questions

By STEPHEN TARNOFF

Asbestos producers and their liability insurers are fighting their coverage battle on a second front.

Just as they are contesting coverage for the bodily injury claims filed by victims of asbestos-related diseases, producers and insurers are squaring off over coverage for property damage suits filed by school districts and other governmental units.

The school districts argue asbestos producers should pay the cost of inspecting school buildings for materials containing asbestos and the cost of encapsulating or removing the asbestos (see related story).

The arguments in the coverage litigation arising from the asbestos property damage claims resemble the arguments in the bodily injury coverage litigation.

Asbestos producers are asking for very broad coverage from their insurers for these property damage claims. They argue that all their liability insurers—from the time the asbestos material was installed in the building until the time the material was discovered or removed—should

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## Rates rise, limits shrink for brokers' E&O cover

By DOUGLAS McLEOD

NEW YORK—Insurance brokers and agents are struggling as much to line up professional liability insurance for themselves as for many of their clients, industry sources report.

Generally poor loss experience—and one large loss in particular—has made the market for broker errors and omissions coverage as difficult—if not more difficult—as the market for other professional liability classes, like accountants or lawyers E&O, sources say.

Agents and brokers with recent renewals are paying rates 100% to 500% higher than the rate for expiring coverage and, in some cases, they can find only half the limits, according to sources in the E&O marketplace.

A broker hit with a 500% rate increase would end up paying more than twice the expiring premium for just half the expiring coverage.

E&O underwriters are also tightening policy condi-

tions, adding exclusions for liabilities related to insurance company insolvencies and asbestos risks, sources say. In addition, some Lloyd's of London brokers are being asked to coinsure the fidelity portion of their E&O risks above their deductibles.

"It stinks," one New York broker said of the broker errors and omissions insurance market.

"The market is dreadful for broker E&O. The market is reacting as if it were one of the worst classes, which I think is unfair,"

said John Bugalla, vp and manager of the casualty/E&O department at Marsh & McLennan Cos. Inc.

"We're subject to the same problems as our clients" who buy professional liability coverages, Mr. Bugalla added.

Most U.S. brokers place their own E&O insurance, unlike Lloyd's brokers, who are precluded by the market's rules from placing their own E&O coverage. Therefore, few U.S. brokers are willing to be too spe-

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### ... MARKET ALERT ...

## IRS loses attack on plan it labeled captive insurance

By JERRY GEISEL

AKRON, Ohio—A valve and fittings manufacturer is entitled to a tax deduction for an insurance premium paid under an arrangement that the Internal Revenue Service had attacked as a captive/self-insurance plan, a federal judge recently ruled.

Crawford Fitting Co., a privately held Cleveland-based manufacturer, was entitled to deduct as a business expense the entire general and product liability premium it paid in 1978 to an insurer incorporated under Colorado's captive law, U.S. District Court Judge David Dowd ruled on Jan. 16 in Akron.

As a result, Crawford is entitled to a refund of the \$9,423 in taxes—plus interest—it paid after the IRS disallowed a portion of a 1978 tax deduction Crawford claimed for insurance purchased, according to the judge's order.

But, the government is expected to appeal the judge's decision and order, according to one source close to the case.

The Internal Revenue Service had argued that the ownership of the insurance company—Constance Insurance Co.—from which Crawford purchased insurance was so related to Crawford that the portion of the premium retained by Constance to cover Crawford's risk was not tax-deductible. That premium, ac-

ording to the IRS, was merely a self-insurance reserve.

But, the judge disagreed.

The ownership of Constance Insurance Co. was not structured like typical captive insurance company programs that have been successfully attacked by the IRS, the judge said.

In those situations in which the IRS has successfully disallowed premium deductions, the premiums were paid to an insurance company wholly owned by the taxpayer.

But, Constance was not owned directly by Crawford. Indeed, Crawford's sole owner is only an indirect shareholder, and one of many shareholders of Constance.

Constance is owned 80% by a group of warehouses that is owned by the sole owner of Crawford to-

gether with members of his immediate family. The warehouses purchase products from Crawford and other manufacturing companies insured by Constance and resell the products to independent distributors who also are insured by Constance.

The other 20% of Constance is held by three Crawford employees and an attorney with a Cleveland law firm that represents Crawford.

Judge Dowd, however, did not base his decision solely on the ownership structure.

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Graphic: Amy Palmer

## Workers suffering from silicosis can sue company officers: Court

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NEWSPAPER

## update

## Cologne Re cuts back

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Casualty facultative business generated \$6.4 million in gross written premiums last year, Mr. Wood said, adding the company wrote a total premium volume of \$22.8 million.

## Mission seeks more capital

LOS ANGELES—Mission Insurance Group Inc. is asking Salomon Bros. Inc., the investment banking firm, to formulate a program to raise additional capital for the insurer.

Mission also announced last week that it will report substantial losses, both for the fourth quarter and for the year, when it issues its 1984 figures. Mission had reported a \$102 million operating loss for the nine months ended Sept. 30.

Rumors that Mission had been seized by the California Insurance Department were acknowledged by both a Mission spokesman and the department, but emphatically denied.

## Pacific American in liquidation

DOVER, Del.—Pacific American Insurance Co., named in a \$77 million lawsuit filed by BankAmerica Corp. to recover under surety bonds issued by the insurer, is in liquidation in Delaware.

BankAmerica, which recently increased to \$95 million its reserve to cover losses on mortgage-backed securities for which it had acted as escrow agent and trustee, alleged last August that Pacific American defaulted on surety bonds guaranteeing the mortgages behind the securities. BankAmerica is seeking \$27 million in compensatory and \$50 million in punitive damages from Pacific American.

The Delaware Insurance Department placed Pacific American in liquidation last month. It had been placed in rehabilitation last Sept. 14. As of Sept. 30, the insurer was insolvent by \$7.79 million.

Meanwhile, Glacier General Assurance Co., which wrote the bulk of surety bonds on the mortgages behind the securities causing BankAmerica's problems, is being probed by the California Insurance Department. The department says that Glacier has not paid BankAmerica and others on bonds covering defaulted mortgages.

## Life/health insurers tapped

ST PAUL, Minn.—Life and health insurers licensed in Minnesota will have to reimburse about 3,000 Minnesota customers who invested in Baldwin-United Corp. annuities, under a recent order by a Ramsey County District Court.

Two state agencies had sued the Minnesota Life & Health Insurance Guaranty Assn. to reimburse customers after the guaranty fund had refused to set up a recovery fund. On Feb. 8, the court ordered the guaranty fund to immediately begin assessing its members to set up a recovery fund. The assessment has not been determined, but insurers would not be assessed more than a total of \$7 million to \$14 million annually.

## Posgate blasts Lloyd's censure

LONDON—Former Lloyd's of London underwriter Ian Richard Posgate says Lloyd's reprimand and censure of him and his deputy Mark Denby are "too much ado about nothing."

The Council of Lloyd's on Feb. 11 confirmed a reprimand and notice of censure imposed earlier by a Lloyd's disciplinary committee on Mr. Posgate, former chairman of Alexander Howden (Underwriting) Ltd. and a partner in Posgate & Denby (Agencies) Ltd. Mr. Denby received the same reprimand and censure.

According to Lloyd's, the men were accused of transferring the proceeds of reinsurance policies principally funded by Howden-managed syndicates to syndicates managed by Posgate & Denby.

Mr. Posgate was ordered by the disciplinary committee to pay 22,000 pounds (\$23,760) in legal costs incurred by Lloyd's, and Mr. Denby was ordered to pay 20,000 pounds (\$21,600).

Charges against David Tudor Williams, another underwriter at Alexander Howden, were dismissed by the disciplinary committee.

Mr. Posgate has been suspended from Lloyd's since September 1982 for his alleged part in this and other cases, which are the subject of separate disciplinary proceedings, a Lloyd's spokesman said.

## Two sentenced in embezzling

LOS ANGELES—Two claims administrators who pleaded guilty to embezzling money from the workers compensation funds of seven California employers have each been sentenced to four years.

Larry K. Fitzpatrick, president of Fitzpatrick Self-Insurance Administrators Inc., and James E. Haggard, the firm's secretary, were sentenced Feb. 7 in Los Angeles Superior Court (BI, Jan. 21, Jan. 28).

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## Workers suffering from silicosis can sue company officers: Court

By STEPHEN TARNOFF

NEW ORLEANS—The officers of a Louisiana shipbuilding company can be sued by employees who have contracted an occupational disease, a federal appellate court says.

However, the officers are entitled to broad insurance coverage for any damages that result from these claims, adds the ruling last month by the 5th U.S. Circuit Court of Appeals in New Orleans.

In addition, the decision makes it less likely that a company's officers can be successfully sued by manufacturers facing product liability claims brought by the company's workers.

The three-pronged decision was handed down Jan. 25 by a three-judge panel of the 5th Circuit in *Julius Ducre vs. the Executive Officers of Halter Marine Inc.*

The decision involved lawsuits brought by current and former employees of three shipyards who contracted silicosis, a chronic lung disease caused by inhaling silica dust.

Central to the litigation are the peculiarities of Louisiana law, which until 1976 permitted employees to sue their employers' executive officers for negligence in addition to filing for workers compensation benefits.

In 1976, however, an amendment to the state's Workmen's Compensation Act precluded such suits against executive officers unless the suits alleged that employee injuries resulted from the officers' intentional acts.

The litigation was triggered when about 40 employees of New Orleans-based Avondale Shipyards Inc. sued Avondale executives for negligent and intentional acts and omissions that caused them to inhale excessive amounts of silica dust during sandblasting operations at the shipyards.

The employees contended they should be able to sue the officers for negligence because they contracted silicosis prior to the 1976 amendment to the workers compensation law.

The Avondale officers, however, contended the employees should not be allowed to sue because the disease was manifested and diagnosed after the 1976 amendment took effect.

Relying on *Owens vs. Martin*, a decision reached last year by the Louisiana Supreme Court involving asbestos litigation, the appellate court ruled the employees could sue the officers if it is found that they contracted silicosis before 1976.

The court remanded the case to a U.S. District Court to determine when the employees contracted the disease.

At the same time, the court said that Avondale's comprehensive general liability insurers at the time the workers were first exposed to silica dust are liable for indemnification costs stemming from the employee suits against the officers.

Avondale's primary liability insurers included: Commercial Union Insurance Co., which wrote coverage for

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## Broker commissions limited on fire insurance in Mexico

By STEVE TARAVELLA

MEXICO CITY—Commercial insurance buyers for south-of-the-border risks may pay lower fire insurance premiums at upcoming policy renewals following a recent change in Mexico's insurance law.

The new law, which took effect Jan. 1, limits the commission a broker can receive from an insurer with whom he places fire insurance and requires the insurer to pass these savings on to the buyer.

Introduced last November by the National Commission on Banking and Insurance in Mexico City, the new law affects commissions paid on all insurance policies that cover direct and consequential losses from fire, including business interruption.

The Mexican government, which regulates both insurance rates and broker commissions, has traditionally permitted brokers to receive a maximum commission of 30% on fire insurance policies. And, in some cases, higher commissions were allowed if the policyholder generated a certain premium volume or the account showed favorable loss experience.

But, the new law establishes a schedule according to which broker commissions are paid based on the size of the premium paid by the policyholder. The higher the premium, the lower percentage commission the broker can receive.

However, rather than applying merely a declining percentage commission to increasing policy premiums, the government has established a two-step formula for determining the commission on various brackets of

premiums.

Twelve brackets of premiums, ranging from 1 peso to 75 million or more pesos, have been created. A base commission exists for each of these brackets. In addition, a percentage has been established in each bracket that is multiplied times the amount of premium that exceeds the low end of the bracket.

For example, the brokerage commission on a 9.435 million peso premium would be 2.43140 million pesos under the new law instead of 2.805 million pesos under a straight 30% commission.

The new commission is determined as follows:

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## Sharpe joins BI sales staff

Michael J. Sharpe has been appointed advertising district manager in *Business Insurance's* Los Angeles office. He will be responsible for accounts in the Western United States.

Before joining *Business Insurance*, Mr. Sharpe was regional marketing manager for American International Group Inc. in Los Angeles.

Mr. Sharpe can be reached at 213-651-3710.



Mr. Sharpe

## Insurers settle TMI liability claims

By MICHAEL BRADFORD

PHILADELPHIA—Almost all liability claims against General Public Utilities Corp. stemming from the 1979 accident at the Three Mile Island nuclear power plant have been settled, says a spokesman for the utility.

GPU's two primary liability insurers, American Nuclear Insurers and Mutual Atomic Energy Liability Underwriters, announced earlier this month they will pay settlements to 280 people who lived near the TMI plant at the time of the accident.

All of the settlements will be paid from the \$140 million in liability coverage that GPU, the holding company for the three utilities that owned the TMI plant, had at the time of the accident, said Jack Harward, a claims vp with ANI in Farmington, Conn.

The settlements cover about 85% of the remaining personal injury claims pending against GPU as a result of the accident, according to Mr. Harward.

Mr. Harward and plaintiffs' attorneys would not disclose the total cost of the settlements. However, 19 individual settlements totaling \$3.9 million were disclosed following state court approval sought because they involved minors.

Those settlements included a \$1.1 million settlement in a case involving a 5-year-old who was born with

Down's syndrome months after the accident. Another was for \$855,000 to an infant born with cerebral palsy.

The decision to settle the cases was not an admission that the TMI accident had caused any injuries or suffering, said Mr. Harward. He said the insurers made "an economic decision" to settle the cases and avoid litigation costs.

The claims are the first health-related lawsuits to be settled on behalf of GPU, Mr. Harward said, and are not related to a \$25 million class-action settlement approved by a federal judge in 1981 (BI, Jan. 17, 1983).

That class action was brought on behalf of 600,000 individuals and businesses located within 25 miles of the plant and included claims for economic losses arising from the accident, like lost wages and property damage.

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## errors &amp; omissions

- Charles E. Keller, president and chief executive officer of Penn General Service Corp., was misidentified in the directory of third-party administrators that appeared in the Jan. 28 issue.

# Risk management services

## Acquisitions propel Tillinghast to top

### Twelve largest independent risk management consultants

By MEG FLETCHER

Consultant (Parent company)	1984 pure <sup>1</sup> risk management consulting revenues (in millions of dollars)	1983 pure risk management consulting revenues (in millions of dollars)	Number of risk management clients	Total professional risk management staff <sup>2</sup>	Number of risk management offices	1984 total corporate revenues <sup>3</sup> (in millions of dollars)
<b>Tillinghast, Nelson &amp; Warren Inc.</b> (Includes Betterley Consulting Group, RIMCO Risk Management Inc. and Risk Planning Group Inc.)	\$4.20	\$2.00 <sup>4</sup>	350	34	7	\$4.5/\$41
<b>The Wyatt Co.</b>	\$3.65	\$3.30	550	32	8	\$3.9/\$142
<b>S.B. Ackerman Associates</b>	\$2.75 <sup>5</sup>	NA	100+	22	1	\$3.9 <sup>5</sup>
<b>Huggins Financial Services Inc.</b> (Hay Associates/Saatchi & Saatchi)	\$2.60	\$2.20	300	25	4	\$5.2/\$1,217
<b>Risk Sciences Group Inc.</b> (Crawford & Co.)	\$1.65	\$1.65	400+	42	3	\$3.3/\$204
<b>J.H. Albert International Insurance Advisors Inc.</b>	\$1.60	\$1.50	250	13	1	\$1.6
<b>Warren, McVeigh &amp; Griffin Inc.</b>	\$1.60	\$1.60	150	12	2	\$2.03
<b>Corporate Policyholders Counsel Inc.</b>	\$1.30 <sup>5</sup>	NA	235	9	1	\$1.3 <sup>5</sup>
<b>Insurance Buyers' Council Inc.</b>	\$1.10	\$1.10	235	9	1	\$1.1
<b>Industrial Insurance Management Corp.</b>	\$1.05	NA	215	19	3	\$1.37
<b>McNeary Insurance Consulting Services Inc.</b> (Booke & Co.)	\$1.03 <sup>5</sup>	NA	225	15	2	\$1.2 <sup>5</sup> /\$14
<b>Advanced Risk Management Techniques</b>	\$1.00	\$0.75	125	10+	2	\$1.12

<sup>1</sup> Providing advice and counsel on risk management issues on a fee-for-service basis; excluding revenues from other activities such as conferences, publications, third-party administration, computer time sharing fees, consulting for commercial insurers, captive management fees, employee benefit consulting.

<sup>2</sup> Full-time equivalent.

<sup>3</sup> Division/parent revenues.

<sup>4</sup> Excludes Risk Planning Group Inc., which was acquired 12/31/84.

<sup>5</sup> BI estimate.

SOURCE: BI survey.

Tillinghast, Nelson & Warren Inc., which ended 1984 by adding powerhouse Risk Planning Group Inc. to its family of risk management consultants, is now the nation's largest independent risk management consultant.

The merger with Darien, Conn.-based Risk Planning Group, which was completed on Dec. 31, 1984, propelled Atlanta-based Tillinghast, Nelson & Warren to the top of the list by giving Tillinghast another \$1.55 million in revenues from pure risk management consulting in 1984—the benchmark used by *Business Insurance* to rank the consultants.

Tillinghast's other risk management consulting offices—Betterley Consulting Group and RIMCO Risk Management Inc.—generated \$1.2 million and \$1.25 million respectively in pure risk management consulting revenues in 1984. With some additional consulting revenues, Tillinghast reported a total of \$4.2 million in 1984 revenues from pure risk management consulting.

This triumvirate of leading independent consultants makes Tillinghast—best known as an actuary to the property/casualty and life insurance industry—a formidable force in risk management consulting, experts say.

Tillinghast acquired RIMCO Risk Management in March 1983 and Betterley Consulting Group in January 1981.

For Risk Planning Group, the merger with Tillinghast gave the firm "the opportunity to offer to clients a much wider breadth of service and depth of service," said H. Felix Klotman, former president of Risk Planning Group and now a principal and advisory director of Tillinghast.

Although Tillinghast is the leader of the pack, The Wyatt Co. is nipping at its heels. Wyatt's Chicago-based risk management division generated \$3.65 million in gross revenues from pure risk management consulting in 1984.

But, similar to Tillinghast, risk management consulting is only a small part of the revenues generated by Wyatt, whose primary business is employee benefit consulting.

The risk management divisions of Tillinghast and Wyatt are clearly the biggest players in the risk management consulting industry. Third-ranked S.B. Ackerman Associates of New York and fourth-ranked Huggins Financial Services Inc.

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## More buyers turning to consultants for help

By ROBERT A. FINLAYSON

Escalating property/casualty insurance rates, shrinking capacity and new coverage restrictions are forcing an increasing number of insurance buyers to turn to risk management consultants for help.

"During the buyer's market, the demand for risk management consulting was not as great because people didn't have as many problems," says George M. Betterley, managing principal of Betterley Consulting Group of Newton, Mass., a unit of actuarial consultant Tillinghast, Nelson & Warren Inc.

"Now they've got problems," Mr. Betterley says.

Consultants say that for the past several years, while insurance was cheap and plentiful, risk managers tapped them infrequently, usually for a periodic audit, help in obtaining an unusual type of coverage or just to make sure they were getting the best buy the market had to offer (*BI*, Feb. 15, 1982).

Now, faced with whopping rate hikes and the inability to buy adequate limits in some lines, risk managers are asking consultants for quick help in preparing for upcoming coverage renewals (see story, page 30).

And, after companies make it through those renewals, consultants expect many clients to request a risk management audit—a complete review of their risk management program—to help them better cope with a tightening market.

That's great news for the consultants, even if it's bad news for the buyers.

"The tight market helps everyone but the insurance buyer," points out Michael A. Rodman, a vp with J.H. Albert International Insurance Advisors Inc., based in Needham, Mass.

"It's good for the broker. It's good for the consultants. It's good for the carriers. And, it's good for the reinsurers. It just isn't good

for the insurance buyer," Mr. Rodman declares.

Apart from the tightening market, consultants also expect their business to increase because the upswing in the economy means that companies generally have more money to spend on consulting projects. In fact, some consultants are predicting their revenues could jump 20% to 30% during 1985.

Risk management consultants note that many risk managers were caught off guard when commercial insurance rates began to rise last summer. And now the risk managers want consultants to help them negotiate renewals with their insurer and to help them devise strategies to hold down the inevitable rate increases.

"Basically, the market didn't start changing until August, and then it came on so fast that everyone was just trying to do the best they could do for Jan. 1 renewals," explains Glen E. Pehl, president of Industrial Insur-

ance Management Corp., a consultant based in Charlotte, N.C.

Bernard J. McGovern, president of Insurance Buyers' Council Inc., a Baltimore-based risk management consulting firm, agrees that many insurance buyers had no idea the market was going to shift so drastically.

"We view the date as July 1, 1984, when we started seeing noticeable changes," Mr. McGovern explains. "When it did turn, it turned 180 degrees."

"As people are getting hit (with premium increases), they're picking up the phone and asking, 'What can you do to help us out?'"

Like most of the risk management consultants contacted by *Business Insurance*, Mr. McGovern says the types of services risk managers are now requesting differ from the services they wanted during the competitive market.

Now, rather than developing proposals for clients that wanted a number of insurers to

bid for their coverage, Mr. McGovern's company is being asked to help clients negotiate renewals with their current underwriters.

Mr. Betterley says he is seeing more requests for one-time projects, rather than requests for continuous consulting. Risk managers often seek a consultant's advice on whether a rate hike is justified or whether the risk manager should purchase lower limits or retain more risk.

"During the soft market the concerns were mainly the administration of the program, auditing the function rather than the program or auditing the program for adequacy of limits or coverage gaps," explains Warren G. Brockmeier, vp of risk management services at The Wyatt Co. in Chicago.

Now, he adds, "There is certainly an added emphasis on looking at retention levels and looking at limits a little more conservatively."

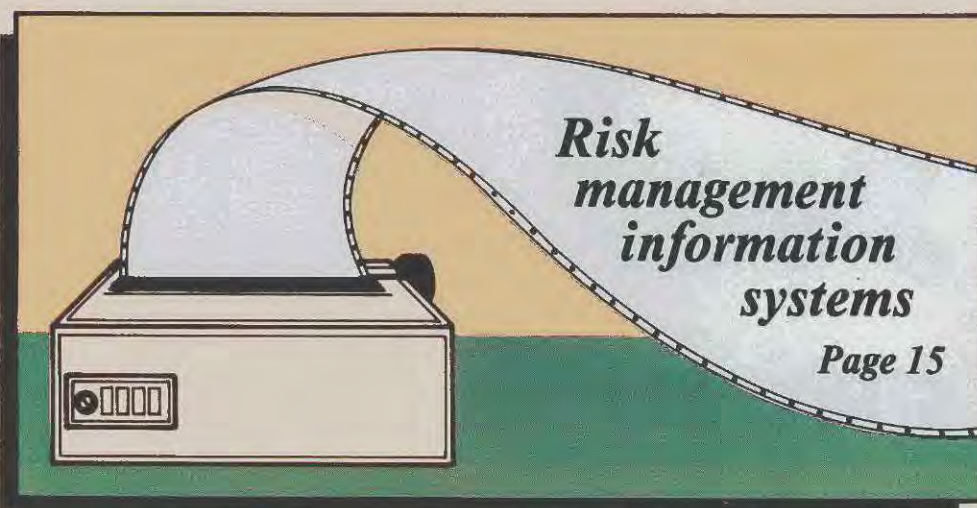
Mr. Brockmeier says this is particularly true for clients that must purchase what he calls the "the heavily impacted classes" of coverage, like medical malpractice insurance. For instance, he says many hospitals are examining whether they should self-insure a portion of their medical malpractice exposures rather than purchase coverage.

He also notes Wyatt is receiving many inquiries from clients that must purchase specialty coverages like professional liability and environmental impairment liability insurance.

Other risk management consultants agree they receive calls from clients considering alternatives to commercial insurance, including self-insurance and the formation of captive insurers.

William T. Torpey, assistant vp of American Risk Management Inc. of Fort Lee, N.J., a Reiss Organization affiliate, notes he has recently seen a significant increase in the

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Continued from preceding page of Philadelphia miss catching the leaders in revenues generated by pure risk management consulting by more than \$1 million, and the smallest of the 12 largest risk management consultants generated only about a quarter of the pure risk management consulting revenues reported by the two leaders.

Business Insurance defines pure risk management consulting as providing advice and counsel on risk management issues on a fee-for-service basis. It excludes revenues associated with conferences, publications, third-party administration, computer time-sharing, consulting for commercial insurers, captive management services and employee benefit consulting.

Consultants ranked by Business Insurance—or included in the directory of risk management consultants that begins on page 49—had to generate at least 50% or \$500,000 of their 1984 gross reve-

nues from pure risk management consulting.

Leading consultants affiliated with or owned by an insurer or broker are profiled on page 12.

Thanks to its acquisition of Risk Planning Group, Tillinghast also recorded the most growth in revenues generated by pure risk management consulting, growing 110% from \$2 million in 1983 to \$4.2 million in 1984.

Twelfth-ranked Advanced Risk Management Techniques of Laguna Hills, Calif., which only began business in 1982, recorded the next largest growth in 1984 among the largest consultants. Its pure risk management consulting revenues grew 33% to \$1 million from \$750,000 in 1983.

Huggins grew an impressive 18.2% in 1984 and second-placed Wyatt grew 10.6%.

However, for the other consultants, growth was much slower and in some cases no growth over 1983

was recorded.

For example, 10th-ranked Industrial Insurance Management Corp. of Charlotte, N.C., recorded an 8% growth in revenues generated from pure risk management consulting in 1984 compared with 1983. However, its growth between 1982 and 1983 was 22%. And, sixth-ranked J.H. Albert International Insurance Advisors Inc. of Needham, Mass., recorded only a 6.7% increase.

Fifth-ranked Risk Sciences Group Inc. in Sausalito, Calif., seventh-ranked Warren, McVeigh & Griffin Inc. in Newport Beach, Calif., and ninth-ranked Insurance Buyers' Council Inc. in Baltimore recorded no growth at all in revenues generated from pure risk management consulting during 1984.

But, both the large and small consultants are expecting more business in 1985 as more risk managers—threatened by the hardening insurance market—turn to them for advice (see story, page 3).

Several are anticipating growth of 20% to 30%.

"There seems to be so much work now, we are bursting at the seams," said C.C. "Bud" Griffin, president of Warren, McVeigh & Griffin. "But we don't want the opportunity to force us into hiring new people that may not be good for the long term."

The consultants also expect the tightening market to indirectly send them more business as competition from brokers decreases. As broker commissions dropped along with insurance prices during the last couple years, many brokers increased their consulting activities to raise revenues.

"With the market turning, the brokers will turn their energies to what they do best—place insurance," said W.C. Moore, president of McNeary Insurance Consulting Services Inc. in Charlotte, N.C., the 11th-largest consultant.

But, the consultants will be in hot

competition among themselves for the new business generated by higher insurance prices and lower capacity.

Competing for the business of the largest companies will be Risk Sciences, which reports that almost a third of its risk management clients have risk and insurance budgets of more than \$25 million; Huggins, which says 15% of its clients are in this category; and Tillinghast, which says 10% of its clients are spending more than \$25 million to manage their risks.

These three consultants, along with Warren, McVeigh & Griffin, also service many large clients whose risk and insurance budgets range from \$10 million to \$25 million and the medium-sized client with a risk and insurance budget of \$1 million to \$10 million. The bulk of Ackerman Associates' clients also are medium-sized corporations.

Wyatt does not break out information on the size of its clients but, like its main competitor Tillinghast, it says it serves all sizes of clients. Although Tillinghast clearly has a good share of large and medium-sized clients, one-third of its clients also are small employers with risk and insurance budgets of less than \$1 million.

Sharing the risk consulting market created by these small employers are J.H. Albert, Industrial Insurance Management Corp. and McNeary, which report that more than two-thirds of their clients have risk and insurance budgets of less than \$1 million, and Insurance Buyers' Council, which gets 46% of its consulting business from small employers.

Eighth-ranked Corporate Policyholders Counsel Inc. of Park Ridge, Ill., and Advanced Risk Management Techniques did not supply information on the size of their clients.

Seven of the top consultants generate most of their revenues related to pure risk management consulting by providing continuous consulting services to their clients rather than from one-time services like risk management audits or special projects.

This is most common among the smaller of the top consultants—J.H. Albert, Insurance Buyers' Council, Industrial Insurance Management, McNeary and Corporate Policyholders. However, two of the four largest consultants—Ackerman and Huggins—also generate the largest portion of their revenues related to pure risk management consulting from continuous consulting.

In contrast, Risk Sciences generates 80% of its revenues related to pure risk management consulting from special consulting projects and Advanced Risk Management Techniques, the smallest of the leading consultants, generates 40% of its pure risk management consulting revenue from risk management audits and 23% from special projects.

Tillinghast, Wyatt and Warren, McVeigh do about an equal amount of work in all three categories.

Typical special projects include risk retention/self-insurance analyses; captive feasibility studies; analysis of necessary insurance limits; insurance contract analyses; claims auditing; loss prevention audits; accounting system analysis; assessment of broker services; loss settlement assistance; risk management organization studies; preparation of specifications for bidding; quantitative analysis and statistical forecasting; and designing risk management information systems.

Regardless of what services are being provided, they don't come cheap. The larger risk management consultants catering to the larger corporations charge up to \$200 an hour for a principal consultant's time—a rate equal to that charged by the most expensive attorneys.

Continued on page 6

# WE'RE SO SURE YOU'LL LIKE OUR NEW STRUCTURED SETTLEMENT SOFTWARE, WE'LL THROW IN THE HARDWARE FREE.



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**NWNL GROUP**

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Continued from page 4

On the high end are Wyatt, Tillinghast, Ackerman, and Corporate Policyholders, which will charge as much as \$200 an hour for the services of a principal consultant. Risk Sciences charges up to \$190 an hour for a principal consultant.

The smaller consultants, especially those who act as continuous consultants for small employers, often charge much less.

For example, Industrial Insurance Management only charges \$85 an hour for the services of a principal consultant; McNeary, \$80 to \$115; and Insurance Buyers' Council, \$100.

Here are thumbnail sketches of the 12 leading independent risk management consultants:

### **Tillinghast, Nelson & Warren Inc.**

The merger of two former competitors—Betterley Consulting Group and Risk Planning Group—within Tillinghast, Nelson & Warren creates not only the largest independent risk management consultant but also a firm that offers more services to its clients.

Tillinghast's risk management offices have been best known for quality staff and long experience in risk management, but now Tillinghast can offer consulting services that extend into strategic planning, says Principal and Vp George Betterley, in the Boston office.

Clients can expect to be taken "from an insurance perspective alone to the broader reach of the risk management process and to a total system, i.e., risk analysis, risk funding and risk control, in concert with their own goals, missions and strategies," Mr. Betterley explains.

There is new strength in numbers, too. The addition of Risk Planning Group increased Tillinghast's risk management consulting practice to \$4.2 million in 1984 in pure risk management consulting revenues. The firm now has 34 professional risk management staff located in six risk management offices and Tillinghast's Atlanta headquarters.

Tillinghast's risk management offices are located in Boston; Dallas; Darien, Conn.; Los Angeles; New York; and St. Louis.

The firm can draw on them to form the best possible team to meet a client's needs, Mr. Betterley explains.

And, as of March 1, Tillinghast is adding to its resources the firm of Mund, McLaurin & Co. of Los Angeles in South Pasadena, Calif. That independent consultant, which has been totally independent since 1959 from a similarly-named firm, Mund, McLaurin & Co. of San Francisco, has five professional staff members and generated revenues of about \$500,000 last year, according to Mr. Betterley.

The services provided by Mund, McLaurin of Los Angeles are about equally divided among continuous consulting, risk management audits and special projects.

While growing, risk management consulting generated only about 10% of Tillinghast's total revenues of about \$41 million in 1984. About \$16 million is related to actuarial consulting to the life insurance industry, about \$12 million to employee benefit consulting and \$8 million to actuarial services for the property/casualty insurance industry, self-insurance trusts, pools and captives.

Of its \$4.2 million in pure risk management consulting revenues, 40% are generated by frequently conducting the full range of special risk management consulting projects, including captive insurance company strategic planning, analysis of the feasibility of government risk pools and strategy reviews.

About a third of risk manage-

ment consulting revenues are generated by risk management audits and only about 25% are related to continuing consulting work.

Another \$300,000 in revenues generated by the risk management professionals includes revenues from publications and seminars.

Tillinghast's 350 clients span the spectrum in size. About a third are small, with risk and insurance budgets of less than \$1 million, 40% are medium sized with budgets of \$1 million to \$10 million and 35% are large, with budgets exceeding \$10 million.

Clients are located nationwide and include U.S. multinationals. Tillinghast also serves clients domiciled in Canada, United Kingdom and Europe.

Tillinghast bills for services strictly by the hour. The range of hourly charges by its 19 principal consultants is from a low of \$120 to a high of \$200 per hour.

### **The Wyatt Co.**

The approach to risk management consulting of The Wyatt Co. is "Research the hell out of it, be realistic and report honestly," says Vp Warren G. Brockmeier in the risk management division headquarters in Chicago.

Wyatt's research capabilities are enhanced by the firm's research and information center in Washington, D.C., opened about a year ago. While the emphasis of the center is on pensions and benefits research, it is used by the risk management division.

"What I like to think we are best at is calling things the way we see them," added Mr. Brockmeier. And, that includes telling clients things they may not like to hear.

A close second to Tillinghast in pure risk management consulting revenues, Wyatt's Chicago-based risk management division generated \$3.65 million in gross reve-

nues from pure risk management consulting in 1984, up about 11% from the previous year. The revenues primarily reflect new business, Mr. Brockmeier said.

The risk management division of Wyatt generated another \$250,000 from seminars, sales of the firm's survey of directors and officers liability risks and insurance conditions and other activities.

Wyatt risk management consulting revenues are generated by almost equal amounts of continuous consulting, the full range of special projects and risk management audits.

Special projects also include special industry surveys, special exposure analysis and evaluation of loss reserves.

Wyatt's 550 risk management clients include a broad range of companies, 30% health-care institutions, 25% governmental entities and 10% financial institutions. The firm says it cannot categorize

its clients by risk and insurance budgets.

Serving risk management clients are 32 professional staff members who operate from eight locations—Chicago, Dallas, Detroit, Montreal, San Francisco, Toronto, Vancouver and Washington, D.C. The Vancouver office, which was opened in 1984, is the newest. An office in Mexico City is expected to open later this year.

Clients are located both nationally and internationally.

Within The Wyatt Co., risk management consulting produces only about 2% of the firm's total revenues of \$140 million.

Most of the firm's business is primarily employee benefit consulting.

Wyatt's risk management consultants bill on an hourly basis, with principal consultants charging from \$60 to \$200 per hour, the same range as last year.

Continued on facing page



The Travelers Corporation and its Affiliated Companies, Hartford, CT 06115

**S.B. Ackerman Associates**

"We don't compete," says S. B. Ackerman Associates Senior Partner Bernard A. Salwen. "We don't even have slick brochures. We have no brochures."

Nonetheless, from its only office in New York City, Ackerman Associates is the third-largest risk management consultant based on pure risk management consulting revenues.

BI estimates Ackerman's pure risk management consulting revenues at \$2.75 million, which are generated primarily by continuous consulting.

In fact, continuous risk management consulting generates half of the firm's estimated \$3.9 million in revenues. Another 30% is generated by claims administration.

The other 20% of Ackerman's revenues are generated by pure risk management consulting services of risk management audits

and one-time special projects.

With a long track record of consulting to hospitals on medical malpractice, Ackerman has more experience in the hospital field than any other consultant, contends Mr. Salwen.

Almost a third of the clients have risk and insurance management budgets of less than \$1 million. Another 55% have budgets of \$1 million to \$10 million and 15% have budgets over \$10 million.

About 22 of 27 professional staff members service 100 risk management clients, which are concentrated in New York.

Ackerman bills for services by the project, retainer or by the hour. The \$200 hourly fee for a principal consultant has not changed from 1983.

**Huggins Financial Services Inc.**

"We can bring a lot of horses to

bear on a complex problem," says Ronald T. Kuehn, senior vp and practice director of Huggins Financial Services Inc. of Philadelphia.

"We are strongest in risk financing and the statistical area," said Mr. Kuehn, citing actuarial services.

Although only half of its \$5.2 million in revenues is generated by pure risk management consulting, Huggins ranks as the fourth largest independent risk management consultant with \$2.6 million in pure risk management consulting revenues, up 18% compared with 1983.

The other half of its business involves consulting on strategic planning and mergers and acquisitions for commercial insurers, cash management and banking.

Of its risk management consulting, half is conducted on a continuous basis; the other half includes both risk management audits and special projects.

Twenty-five of Huggins' 51 pro-

fessional staff members work on risk management consulting from four offices located in New York City, Chicago, Stamford, Conn., and Philadelphia.

Huggins' 300 risk management clients include municipalities, commercial insurers associations and all types of industries. They are primarily in the Northeastern United States and along the East Coast.

Forty-five percent of Huggins' risk management clients have risk and insurance budgets of \$1 million to \$10 million. Only 15% have budgets below \$1 million, but 40% have budgets exceeding \$10 million.

The consultant bills for services on a project or hourly basis. A principal consultant charges between \$110 and \$135 per hour.

Huggins is owned by Hay Associates, which was acquired in November 1984 by Saatchi & Saatchi, the sixth largest advertising agency worldwide and the largest one in

the United Kingdom.

Huggins' total gross revenues in 1984 were \$5.2 million. Saatchi's worldwide revenues totaled \$1.2 billion in 1984, before the acquisition of Hay Associates.

**Risk Sciences Group**

Although one of the leading providers of risk management information systems, Risk Sciences Group Inc. of Sausalito, Calif., generated \$1.65 million in revenues from pure risk management consulting revenues in 1984 and so ranks as the fifth largest independent risk management consultant.

The firm's pure risk management consulting is primarily related to special projects, including analysis of loss reserves, formulating tax accounting strategy, designing premium and loss allocation systems and estimating the liquidation value of unfunded insurance liabilities.

Of the full range of special consulting projects generally offered by risk management consultants, Risk Sciences Group does not analyze insurance contracts, audit claims, assess brokers and remuneration or assist in loss settlements.

Although about half of Risk Sciences Group's revenues is related to implementing and assisting in the maintenance of risk management information systems, President Joseph A. Destein says the firm sells its advice on this subject as a pure risk management consultation. Risk Sciences Group will determine a client's risk management information system needs and develop specifications for bidding which can be open to all competitors, if the client wishes.

Pure risk management consulting revenues were flat in 1984, but the firm's total gross revenues in 1984 were \$3.3 million, up \$300,000 from 1983.

Risk Sciences Group is owned by claims administrator Crawford & Co., which purchased it in 1981.

Risk Sciences has more than 400 risk management clients, said Mr. Destein. About 75% of them have risk and insurance budgets of at least \$5 million.

Providing pure risk management consulting services to clients around the country are 42 of 51 total professional staff members from headquarters in California and offices in New York City and Atlanta.

Risk Sciences Group bills for services by the project, retainers and on an hourly basis. A principal consultant now charges between \$105 to \$190 per hour, compared with \$95 to \$170 in 1983.

**J.H. Albert International Insurance Advisors Inc.**

Providing businesses with risk and insurance budgets of less than \$1 million with practical risk management advice is the mainstay J.H. Albert International Insurance Advisors Inc. of Needham, Mass.

The sixth largest independent risk management consultant generated all of its \$1.6 million in 1984 revenues from pure risk management consulting, with 90% related to continuous consulting services.

Only 10% of Albert's 250 clients have risk and insurance budgets exceeding \$5 million. Seventy percent of Albert's 250 clients have risk and insurance budgets below \$1 million. Another 20% have budgets of \$1 million to \$5 million.

"We feel the small business person has as much of a need as a large client and often he is left in the cold," says President Joseph H. Albert.

Thirteen staff members provide risk management consulting services from the company's single location in Needham, Mass., to clients located primarily in the Northeastern United States.

Continued on page 10

## Blue chip customers like these don't stay with you for forty years unless you treat them fairly.

Forty years is a long time to keep the most demanding customers satisfied. It's proof of the importance The Travelers places on maintaining long-term relationships. (More than half a million of our customers have been with us more than 25 years.)

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**TheTravelers**  
Fairness is good business.

## opinions

# Avoid those candy store blues

THANKS TO ALL the new, improved products available, installing a computerized information system in your risk management department can be a real treat.

But, it also can be a lot like turning a kid loose in a candy store:

To make the right selection, the child has to check out all the candy bins at least twice and give careful consideration to exactly what color lollipop he wants.

And, if the child overbuys, it's a sure bet he's going to end up with a stomachache. Or, if he unwisely picks a very stale caramel, his parents are going to end up with the additional expense of a broken tooth.

The risk management information systems vendors and consultants highlighted in this week's Spotlight Report (beginning on page 15) appear to have developed very sophisticated, reliable products that are responsive to the needs of risk managers. But, the multitude of mainframe computer products already available and the influx of microcomputer products to be introduced this year can put the buyer in the same position as the kid in the candy store.

If he has a big enough budget, it could be very easy to overindulge and end up feeling pretty sick when he realizes thousands of dollars were wasted on programs he's never going to use.

Or, he could choose unwisely and end up with a system so sour or stale that it isn't even worth keeping,

but can't be replaced because his allowance is already spent.

To avoid such distasteful experiences, don't be rushed into making a decision.

While there are several excellent mainframe, vendor-controlled systems on the market now, in the next couple months several vendors, insurers and brokers are going to introduce new stand-alone microcomputer systems that are less costly. And, although they may not have all the capabilities of a mainframe, they may be enough to satisfy your sweet tooth—and your company's needs.

But, to find the right system you have to shop around—wisely. Have the vendors give you a demonstration of what their product can do and then compare and grade the systems on their flexibility, expandability, cost and comprehensiveness. Rate them according to how easy it is for you to understand how to use it, how analytical the software is and what kind of service the vendor offers.

If you don't feel confident that you can make a fair evaluation yourself, get some help. One way is to tap a risk management consultant. But, a risk manager checking out information systems can also get some of his best advice by talking with other risk managers who have systems.

In the end, playing it like a smart kid just might save you from turning a treat into a toothache.

## letters

### Quake reinsurance plan should go a step further

To the editor: Your article, "Quake Reinsurance Plan Proposed" (BI, Feb. 4), responds to an ever-growing crisis in California. The crisis stems from a lack of available capacity for earthquake insurance. This "crunch" has been exacerbated by the recently passed legislation mandating that all California insurers offer earthquake damage insurance to their policyholders effective Jan. 1, 1985.

Even when the demand was low, capacity was always a problem in California. When studies show that a major quake might threaten the solvency of the "industry," you find capacity constricted by

nervous insurers and their reinsurers.

The plan proposed by the reinsurers has merit. However, why not go one step further? Make earthquake coverage a standard coverage item on all residential property policies nationwide. Uncle Sam could then act as a "stop-loss" reinsurer for the industry as suggested. By spreading this risk into areas of little exposure and thereby generating premiums from these low-risk areas, we would increase capacity even more. Rates could be variable to reflect an area's exposure, and deductible options could also be available.

Although perils such as earthquakes

may never be deemed "commercially insurable," legislators and consumers alike are demanding that our industry offer a true catastrophe policy. The recent legislation in California reflects this belief. I am glad to see a plan finally being proposed. We must respond to these demands and pressures, while avoiding financial ruin in the process.

**Rick Curtis**

Curtis Insurance Agency Inc.  
Northridge, Calif.

### Deciding to self-insure means thinking ahead

To the editor: Concerning your editorial "Self-Insurer Beware" (BI, Jan. 28), we would add the following comments:

- Beware of the conflict of interest that may arise from purchasing excess insurance and contracting for claims administrative services from one insurance company.

- Learn from the past. Do not look at self-insurance as only a mechanism for saving on premium costs. Use your loss history to formulate an effective loss-control program directed toward reducing the total number or lessening the severity of claims.

- Last, but not least, when it comes to choosing a claims administrator, request a list of current clients. Those clients should be contacted and requested to evaluate the services they are currently receiving from the administrator. Good claims administration will lower costs; sloppy claims administration will drive costs up.

All administrators will tell a potential client that they will provide the best service available. Talk is cheap. Past performance is usually a good indicator of what one can expect in the future.

**L.G. Hunt**

Vp  
Carl Warren & Co.  
Santa Barbara, Calif.

*Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.*

### No mystery surrounds Ideal rehabilitation

To the editor: Your editorial "Too Many Questions" (BI, Jan. 21) should have been called "Too Little Regard for Answers."

The need to rehabilitate Ideal Mutual was not arrived at by virtue of a pinata party, as your editorial cartoon suggests. Nor would a look at the facts of the rehabilitation lead to only two possible conclusions, both of which damn the New York Insurance Department—either we "failed to adequately regulate" or "needlessly drove it into rehabilitation." You have completely overlooked the fact that Ideal Mutual's management voluntarily put the company into rehabilitation after numerous attempts by Ideal and the department to turn a bad situation around.

Many of the "unanswered questions" you say drove you to your conflicting

conclusions can be found in your own lead articles and in the information we gave your reporter.

A responsible approach would be to find and print the answers, rather than use unanswered questions to criticize by innuendo. Your concluding editorial sentence offers a ray of hope: "When we learn the answers to these questions, we may reach another conclusion." The only question is why you would not learn the answers before reaching any conclusion.

**N. Barry Greenhouse**

Special Assistant  
to the Superintendent  
New York Insurance Department  
New York

*Editors note: The questions posed in the editorial remain unanswered.*

### Preventive care is answer to premium hikes

To the editor: I agree with Mark Mitchell's comment that "better health is the best cost containment" (BI, Dec. 24-31, 1984). Dental preventive coverage has been so successful in reducing restorative care and containing costs that dental plans are currently being written to reduce or eliminate the deductible if the employee fulfills annual diagnostic and preventive treatment. Consistent annual preventive care has lessened the odds of major restoration.

This can also become fact for medical care. Society is not interested in speaking of their illnesses, medications or confinements. Rather, they emphasize health through fitness and diet. Now is the time to design plans to insure preventive medi-

cal care. Provide annual physicals, immunizations, vision and hearing tests. Eliminate the entanglements of government regulations of flexible benefits and cafeteria plans. Insure preventive care, implement counseling programs explaining cost-containment features and share costs through an 80%/20% comprehensive medical plan.

The answer to preventing increased premiums and total costs while not increasing negative employee relations is to reimburse preventive care. Dollars will be well spent when used to prevent.

**Ann M. Smith**  
Benefit Analyst  
Grand Met USA Inc.  
Montvale, N.J.

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**CIGNA**

Albert bills for service on an hourly basis, with principal consultants billing at a rate of \$135 an hour, up from \$125 in 1983.

### Warren, McVeigh & Griffin Inc.

Warren, McVeigh & Griffin knows how to communicate and doesn't turn out boilerplate reports, says President C.C. "Bud" Griffin.

"We have an intense peer review system to make sure work is clear and understandable to eliminate errors and mundane thinking," he said.

The consultant's approach stresses problem analysis and program design rather than administrative activity, Mr. Griffin says.

The Newport Beach, Calif.-based consultant, which ranks seventh with \$1.6 million in pure risk management consulting revenues in 1984, also generated another \$400,000 in revenues from publishing and employee benefits consulting, for total gross revenues of \$2.03 million.

Revenues in 1984, however, were flat compared with 1983.

Warren McVeigh does equal amounts of continuous consulting and risk management audits, which together generate 60% of its total gross revenues.

Special risk management consulting projects covering the full spectrum of assignments generate 19% of its total gross revenues.

Its 150 clients, about 60% of which are corporate and 40% public entities, are mostly medium-sized. About 75% of its clients have risk and insurance budgets between \$1 million and \$25 million.

Twelve of 15 professional staff members serve risk management clients from two California offices in Newport Beach and San Francisco. Clients are located nationwide, but primarily in the Western United States.

Warren McVeigh bills for services by the project, by retainer or by the hour. A principal consultant charges between \$125 and \$165 per hour, the same as in 1983.

### Corporate Policyholders Counsel Inc.

In the past year, eighth-ranked Corporate Policyholders Counsel Inc. of Park Ridge, Ill., has seen a marked increase in business from law firms looking for advice to help them defend corporate clients.

"This past year, the amount of work done for law firms... has just gone bananas," said Executive Vp Bruce S. McCallum.

The firm has been called upon frequently to advise defense counsel in directors and officers liability and public officials liability cases and to help the lawyers interpret insurance policies.

Coincidentally, Corporate Policyholders Counsel was started by a group of attorneys.

*Business Insurance* estimates Corporate Policyholders Counsel generated \$1.3 million in gross revenues from pure risk management consulting revenues in 1984. This represents 99% of its total revenues. It does a very small amount of employee benefits consulting.

Sixty-five percent of its revenues is generated from continuous consulting for clients, while 20% is from risk management audits and 14% is derived from special risk management consulting projects.

Corporate Policyholders Counsel serves 235 clients ranging from very small to very large, including several banks and hospitals. The bulk of its clients are in the Midwest.

It has nine professional staff members serving its risk management clients.

Corporate Policyholders Counsel bills for services by the project and

by the hour. A principal consultant charges \$150 to \$200 per hour.

### Insurance Buyers' Council Inc.

Providing continuous consulting services for smaller companies is ninth-ranked Insurance Buyers' Council's main business.

The request of many of its clients is, "Just hold our hand and you do it for us," said Bernard J. McGovern, president and treasurer of the

Baltimore-based consultant.

About 88% of the Insurance Buyers' Council's clients have risk and insurance budgets of less than \$5 million and 75% have no designated risk manager, said Mr. McGovern.

About 60% if its clients are corporations, 30% municipalities and 10% hospitals. Most are located in the Mid-Atlantic or Eastern states.

Insurance Buyers' Council generated \$1.1 million in gross revenues in 1984, of which 100% was from pure risk management con-

sulting.

It generated about three-fourths of its revenues from continuous consulting, 15.2% from special risk management consulting projects and 6.3% from risk management audits.

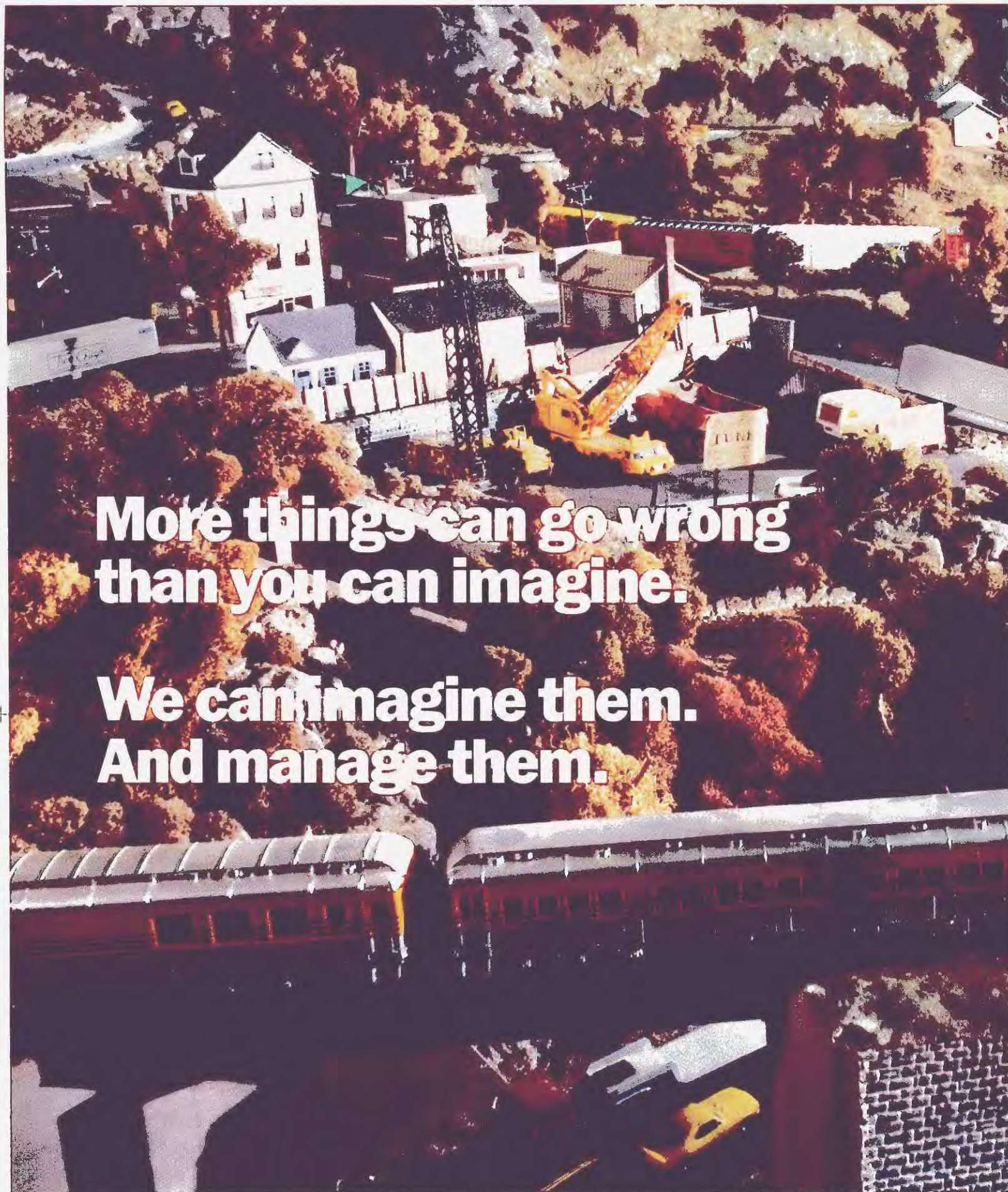
Nine professional staff members provide risk management consulting services from the company's single location in Baltimore.

The fee charged by a principal consultant is \$100 an hour, a \$10 an hour increase compared with the previous year.

### Industrial Insurance Management Corp.

"We like to feel that we solve problems by getting in the trenches and getting the job done," says Glen Pehl, president and treasurer of Industrial Insurance Management Corp. of Charlotte, N.C., the 10th largest independent risk management consultant.

"We don't believe in tremendous  
*Continued on facing page*



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Continued from facing page statistical reports," he added. "We try to keep it simple." However, the company can provide those reports to clients that want them.

Industrial Insurance Management generated \$1.05 million in gross risk management revenues in 1984, up 9% from 1983.

This represents 77% of the company's total revenues of \$1.37 million. The other 23% of its revenues are generated from employee benefits consulting.

It generates almost two-thirds of

its total gross revenues from continuous consulting, 7.7% from risk management audits and 4.5% from an almost full range of special risk management projects. It does not conduct accounting system analyses or design risk management information systems.

The bulk of Industrial Insurance Management's 215 clients are small companies.

Sixty-nine percent of its clients have risk and insurance budgets of less than \$1 million and 27% have budgets of \$1 million to \$5 million.

Nineteen of the consultant's 25 professional staff members perform risk management consulting.

Besides the Charlotte, N.C. home office, Industrial Insurance Management has offices in Richmond, Va., and Birmingham, Ala. The consultant bills by the project or requests a retainer. A principal consultant charges \$85 per hour.

### McNeary Insurance Consulting Services

W.C. Moore, president of 11th-

ranked McNeary Insurance Consulting Services, says his firm is "the leading consultant in the area of lawyers professional liability insurance."

He also says his firm is "the only risk management consulting firm in the Southeast that has loss-control consultants on staff."

McNeary generated \$1.03 million in gross revenues from pure risk management consulting in 1984, according to a *BI* estimate.

This represents 80% of the firm's \$1.2 million in total gross revenues

for 1984, according to a *BI* estimate. The remaining 20% was generated from administration of association insurance programs, seminars and actuarial services.

Almost half of McNeary's revenues are derived from continuous consulting with 20% from risk management audits and 12% from a full range of special risk management projects.

McNeary is clearly a risk management consultant for small employers. Eighty percent of its 225 clients have risk and insurance budgets of less than \$1 million and the other 20% have budgets of \$1 million to \$5 million. Most are located in the Southeast.

McNeary has 15 professional staff members serving risk management clients. Besides its home office in Charlotte, it has an office in Atlanta.

McNeary bills for services by the project, on retainer and by the hour. A principal consultant charges between \$80 to \$115 per hour, which is up from \$75 to \$115 in 1983.

### Advanced Risk Management Techniques

Twelfth-ranked Advanced Risk Management Techniques of Laguna Hills, Calif., is the youngest of the leading risk management consultants.

It was formed only three years ago by three consultants from Warren McVeigh & Griffin. They were then joined by two consultants who had worked for The Wyatt Co. and an independent consultant.

But, the youngster among the leading consultants recorded the second-best growth in 1984. Gross revenues from pure risk management consulting rose 33% to \$1.1 million from \$750,000 in 1983. And, the 1984 revenues represent a 300% increase over 1982 when ARM Tech generated \$250,000 for the nine months it was in business that year.

Total revenues in 1984 were \$1.12 million, with 90% of that generated by pure risk management consulting and the rest from employee benefit design and funding studies.

The largest portion of ARM Tech's business—40%—comes from risk management audits. Unlike the other smaller consultants in the Top 12, ARM Tech derives relatively little—27%—of its revenues from continuous consulting. It generates another 23% from special risk management consulting projects, including government agency pooling program studies and actuarial audits of loss reserves, said partner Michael M. Kaddatz.

ARM Tech's 125 clients cover a broad base, including utilities, health care institutions and governmental agencies.

"We have probably done more state government work than any other consultant in the country," said Mr. Kaddatz.

ARM Tech has 11 professional staff members, most of whom provide risk management services.

Besides its office in Laguna Hills, it has an office in Seattle that has been open since last June.

"We are known for taking the unique needs of clients into consideration rather than having a boilerplate, stock answer," said Mr. Kaddatz.

"We are best at solving complex problems that require an answer for management that depends upon a wide range of risk management disciplines," he said.

"We want to be as large as the market indicates and that is limited by our ability to find people to meet clients' needs," said Mr. Kaddatz.

ARM Tech bills by the project or by the hour. The minimum rate for a principal consultant has increased to \$110 from \$100 an hour and can range up to \$125 an hour.



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# Largest affiliated consultants ranked

By MEG FLETCHER

Several insurance brokerage and insurance service organizations assign more staff to risk management consulting services than are employed by the larger independent risk management consultants.

These staffs provide advice on insurance and risk management separate from and in conjunction with their companies' other sales and services.

But, these consulting divisions of

brokers, an insurance company and a captive management firm are not ranked with the independent risk management consultants in the *Business Insurance* survey (see story, page 3).

These affiliated consulting operations are ranked separately, chiefly because of difficulties in separating pure risk management consulting revenues from those generated by the companies' retail brokerage or other insurance-related business.

Pure risk management consulting revenues, as defined in the *BI* survey, are generated only from providing advice on risk management issues separate from the sale of other services.

Since consulting revenues under this definition are difficult to determine for most of these affiliates, the nine companies that devote considerable resources to risk management consulting are ranked based on the number of total, full-time equivalent professional staff

devoted to risk management consulting.

More than a dozen other affiliated organizations with fewer than 20 full-time equivalent employees providing risk management consulting are listed in the directory of consultants beginning on page 49.

The affiliated risk management consultant with the largest professional staff devoted to consulting is American Risk Management Inc. in Fort Lee, N.J., with 180 full-time

equivalent staff members serving clients from 14 offices in the United States.

American Risk Management is one of seven international risk management consulting companies which operate under the umbrella name of The Reiss Organization.

American Risk Management generated about 60% of its gross revenues in 1984 from pure risk management consulting. The remaining 40% of its revenue was generated by captive management and related services.

American Risk Management provides both continuous consulting to its clients (providing continuous evaluation of design and management of risk and insurance programs) and special projects consulting, including property loss engineering and infrared thermographic analysis.

In infrared thermographic analysis, videotape is used to detect hot spots in equipment before the heat can do any damage, explained William T. Torpey, assistant vp.

While American Risk Management is known for its formation of captive insurance companies, in recent years it has expanded its services to non-captive clients, which now represent 20% of its 150 total clients, he said.

The other 80% are clients whose captive insurers are managed by Reiss affiliates, many of whom purchase loss control engineering services from American Risk Management.

Ranking second among affiliated consultants is Fred S. James & Co. Inc. Risk Management Services based in New York City. The subsidiary of broker Fred S. James & Co., which is owned by Transamerica Corp.

James Risk Management reported 80 professional staff members devoted to risk management consulting operating from many of James' 120 brokerage offices worldwide.

Its services include continuous consulting and special projects, including captive management and actuarial studies and reserve certifications to about 500 clients.

Previously, James' consulting divisions operated more autonomously of each other but in 1984 they were combined into a cohesive unit under Michael Dinstein, vp of risk management services.

Anistics Inc. of New York City, a subsidiary of broker Alexander & Alexander Services Inc., ranks third with 69 full-time equivalent staff members serving 750 risk management clients from eight locations nationwide.

Known as one of the leading providers of risk management information systems (see page 18), Anistics says 70% of its gross revenues was generated by risk management consulting and the remaining 30% was generated from other activities including advising insurance companies that offer rent-a-captive programs.

Most of its consulting services involve risk management information systems and other special projects. Anistics has expertise in asbestos and black lung liabilities, said President Luther T. Griffith.

Johnson & Higgins Risk Management Services of New York, a division of broker Johnson & Higgins, ranked fourth with 63 persons working as risk management consultants serving more than 200 clients from 22 U.S. cities; Toronto, Canada; and Sydney, Australia.

These staffers devote all their time to risk management consulting, the bulk of which involves special projects, including actuarial consulting and advising on structured settlements.

Continued on page 14

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## Affiliates ranked

Continued from page 12

J&H Risk Management Services also is marketing the services of two J&H affiliates in the U.S. Virgin Islands.

One affiliate will manage foreign sales corporations, which export U.S.-made products and are exempt from a portion of U.S. income taxes.

Another affiliate will manage life insurance captives.

Ranking fifth is M&M Risk Management Services in New York City, a subsidiary of broker Marsh & McLennan Cos. Inc. M&M Risk Management has 60 full-time equivalent risk management professional staff members serving clients from 20 U.S. locations.

M&M Risk Management says 70% of its work is continuous consulting, 25% special consulting projects and only 5% risk management audits.

M&M was busy last year analyzing the impact of the Deficit Reduction Act of 1984, said Paul T. Goularte, vp and national manager.

American International Group Risk Management in New York, a division of insurer American International Group, ranks sixth with 46 risk management professional staff members serving clients from one London and seven U.S. offices.

AIG's consulting division reported that 92%—or \$29.65 million—of its \$32.4 million in gross revenues were generated by risk management consulting. Nearly three-fourths of its revenues came from continuous consulting but it also performed special consulting projects, including studies of incurred-but-not-reported loss reserves and feasibility studies for self-insured association programs.

AIG Risk Management serves about 290 clients, each of which has a minimum \$250,000 risk and insurance budget.

The consultant also expanded the computer services it offers its clients, providing access to claims information and computer capability to allocate loss costs.

Ranking seventh is Rollins Burdick Hunter Risk Management Services Group of Chicago, a subsidiary of broker Rollins Burdick Hunter Co., which is owned by Combined International Corp.

RBH Risk Management's 35 professional staffers serve clients from many of its 50 offices nationwide.

RBH Risk Management generates half of its revenues from continuous consulting and the other half is generated about equally by special consulting projects and risk management audits.

In 1984, RBH increased its risk management information system support staff to 12 from eight and added a new actuary. Its risk management information system—RISKAN II—was expanded from the Midwestern region to a national network and given new capabilities.

Broker Corroon & Black Corp.'s Advanced Risk Management Services ranked eighth with 20 full-time equivalent professional staff members serving 175 clients, primarily from its Nashville, Tenn., headquarters.

ARMS said it generates 90% of its revenue from risk management consulting and 10% from captive management and third-party claims administration.

Four-fifths of its risk management consulting involves special projects.

Clients are primarily among the largest 1,500 in the country. They must have a minimum risk and insurance budget of \$1 million and generally have large casualty insurance programs, said President Donald K. Heim.

The risk management consulting activities of broker Frank B. Hall &

Co. Inc. combined certainly rank among the largest affiliated consulting operations in the country.

Consulting services are provided by: Frank B. Hall & Co. Inc. (Risk Management Services) in Briarcliff Manor, N.Y.; Risk Sciences International in Washington, D.C.; and claims administrator Adjustco Inc. based in Tarrytown, N.Y.

However, Hall was unable to provide the number of full-time equivalent professional staff members who are devoted to risk management consulting only since FBH Risk Management taps the expertise of Hall's 6,000 professional employees in all operations.

Only subsidiary Risk Sciences International reported its consulting staff: 16 professional staff members. About 60% of the subsidiary's \$1.1 million in gross revenues was generated by pure risk management consulting. Forty percent of revenues involved designing environmental clean-up plans and

environmental claims technical support.

Most of Risk Sciences International's consulting work involves special projects including environmental risk audits and assessments and audits preceding mergers and acquisitions of electronics and chemical companies.

Adjustco, which is a claims administrator and adjuster, reported a total of 660 total professional staff members, but only 2%—or about \$840,000—of its \$42 million in gross revenues were related to pure risk management consulting, as defined in the BI survey.

About 98% of its revenues came from claims administration and rehabilitation services for self-insurers and insurance companies.

Adjustco performed special risk management consulting projects for 41 clients, including designing claims administration systems and auditing medical malpractice claims.

## Affiliated risk management consultants

Company (Parent)	Total professional risk management staff <sup>1</sup>
<b>American Risk Management</b> (A unit of the Reiss Organization)	180
<b>Fred S. James &amp; Co. Inc. Risk Management Services</b> (Fred S. James & Co./Transamerica Corp.)	80
<b>Anistics Inc.</b> (Alexander & Alexander Services Inc.)	69
<b>Johnson &amp; Higgins Risk Management Services</b> (Johnson & Higgins)	63
<b>M&amp;M Risk Management Services</b> (Marsh & McLennan Cos. Inc.)	60
<b>American International Group Risk Management</b> (American International Group)	46
<b>Rollins Burdick Hunter Risk Management Services Group</b> (Rollins Burdick Hunter Co./Combined International Corp.)	35
<b>Advanced Risk Management Services</b> (Corroon & Black Corp.)	20
<b>Frank B. Hall &amp; Co. Inc. (Risk Management Services)</b> <b>Risk Sciences International, Adjustco Inc.</b> (Frank B. Hall & Co. Inc.)	NA

<sup>1</sup> Full-time equivalent.

SOURCE: BI survey.

# What Group Administration is improved



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WILSON

# Risk managers finding micros more viable

By STEVE TARAVELLA

The improved capabilities of microcomputers are putting automated information systems into the hands of many risk managers who, two or three years ago, might have shopped for one, balked at the price and walked away.

Micros (or personal computers) are becoming increasingly powerful pieces of equipment, creating competition for their costly mainframe counterparts. The most established mainframe-oriented vendors are scrambling to develop information systems for stand-alone micros. They now are being joined by brokers and insurers.

Stand-alone microcomputers appeal to risk managers mainly because they offer managers a more

affordable way to acquire a risk management information system.

Not only is the initial outlay less costly, but stand-alone micro systems also have few of the ongoing costs associated with mainframe systems. For example, since there is no data base off the premises to tap into, users do not pay telecommunications charges for computer access, often the biggest expense for mainframe users.

Nor would users pay an annual service fee to a vendor, as they do in most mainframe operations.

Increased flexibility is another advantage of micro systems since the user would not depend on a vendor for computer access or program development. The risk manager could access claims information whenever he or she wished,

and could manipulate the data in any format desired.

But, even the most ardent PC fans acknowledge that the stand-alone microcomputers still can't do everything a mainframe operation can. Personal computers don't respond as quickly to commands and cannot store as much data.

"It's got quite a ways to go before it's going to meet everyone's needs," says James D. Blinn, vp at Tillinghast, Nelson & Warren Inc. in New York.

But that's not stopping development.

A biennial study of available risk management information systems released this week by Tillinghast identifies 16 systems of PC-based claims information systems by 13 vendors. The November 1982 edi-

tion identified only four systems, by the same number of vendors.

"We expect that over time, organizations will reduce their commitment to mainframe computer systems," the Tillinghast survey predicts.

"I think there's going to be a significant demand for the PC risk management information systems, and you'll see a lot more (buyers) come out for them," agrees David A. Tweedy, consultant with D.A. Betterley Risk Consultants Inc. in Worcester, Mass.

"And in five years, a PC could probably do what a mainframe can do now. The handwriting's on the wall."

Betterley and Tillinghast are the two most prominent independent consultants of risk management in-

formation systems (see related story, page 27).

The April 14-19 conference of the Risk & Insurance Management Society in New Orleans will be a showcase for the new products. "The exhibit hall is going to be like a computer show," predicts one observer.

Indeed, many vendors, brokers and insurers are in a flurry of last-minute activity to complete their PC products for introduction at the April meeting.

"We're developing the (stand-alone) software because we've determined a need for it; it'll sell itself. It's a low-cost way of getting involved," says Richard B. Hall, managing vp of Anistics Inc.'s New York headquarters.

Anistics, Corporate Systems of Amarillo, Texas, and Risk Sciences Group Inc. of Sausalito, Calif., are the acknowledged leaders in mainframe risk management information systems (see profiles beginning on page 18).

Although only about 5% of Anistics' users now operate PC-based systems, this is the area in which Mr. Hall predicts Anistics will grow the most over the next year or two.

Anistics' stand-alone PC claims management system, aimed at businesses that generate 500 to 1,000 claims annually, is in its final stages of development and will be officially introduced at RIMS.

In the meantime, it is being tested with four or five risk managers. The system, not named yet, will cost less than \$7,500.

Anistics already has stand-alone PC modules for forecasting functions (about \$800) and for registering insurance policies (about \$350).

Risk Sciences will introduce SIGMA-MICRO, a stand-alone PC system virtually identical to its mainframe model, according to President Joseph A. Destein. It will be aimed toward municipalities, school districts and other self-insured entities whose operations are geographically concentrated and which may generate only a few hundred claims annually.

The system will be marketed through both RSG and its parent, Crawford & Co.

Corporate Systems also will display a stand-alone micro version at RIMS. While CS could design such a system for a risk manager that wanted one, it is not marketing such a system per se.

"I really think there's a very, very limited market for a stand-alone system. Risk managers are not islands off by themselves; their data has to be maintained somewhere," explains Guyon Saunders, president.

However, leading broker Marsh & McLennan Cos. Inc. believes there will be a demand for stand-alone microcomputer systems.

A staff of eight in M&M's Atlanta office spent a year developing MAESTRO, its stand-alone PC system. It will be marketed to both brokering and non-brokering clients, explains Jerry A. Miller, manager-marketing and product development.

The version M&M will introduce at RIMS will be a comprehensive claims management and information system, including functions for registering insurance policies, tracking litigation and evaluating asset exposures. More sophisticated analytical functions for MAESTRO will come shortly, Mr. Miller says.

MAESTRO will be M&M's second entree into the RMIS arena. The Micro Claims Manager, which was introduced about a year ago, was targeted to businesses that generated no more than 500 claims annually.

Continued on next page

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## Microcomputers offer option for risk managers

Continued from preceding page

MAESTRO can handle up to 3,000 claims annually and can keep a data base of more than 15,000 claims. The system costs about \$30,000, which includes software, training and first-year staff support.

According to Tillinghast's Mr. Blinn, MAESTRO will offer "a quantum-leap capability over just about anything else available on a PC-based system today. It'll be literally head-and-shoulders over any other."

Broker Bayly, Martin & Fay International Inc. also plans to introduce a stand-alone software product at RIMS.

Called CLASS, the software system can provide statistical analysis

of claims activity for any industry, according to William R. Kersten, president of BMF's Risk & Benefit Management Systems division in Fort Worth, Texas.

CLASS can customize reports, accommodate a data base of up to 50,000 claims and issue claims payments, he says. The cost of the system will start at \$2,500, not including hardware, installation, training or ongoing service.

Even Reed Risk Management Inc., a consulting unit of Reed Stenhouse Inc. that stopped development of a major off-the-shelf software product last March, has been working for the past three months on a PC-based risk management information system to be unveiled at the RIMS conference. (Reed Stenhouse was recently acquired by A&A.)

Meanwhile, other brokers are increasing their marketing of their mainframe systems.

Arthur J. Gallagher & Co. has unbundled its Risk-Facs system to offer it without accompanying services.

And, Rollins Burdick Hunter Co. expects at least a 50% growth this year in the number of users of its RISKAN II, which runs off a mainframe computer in Philadelphia. RISKAN II, which was used by risk managers in a limited number of cities until last October, is now marketed nationwide to both brokering and non-brokering clients.

Insurers also are increasingly more involved in offering risk management information systems to their policyholders and others.

As one consultant puts it: "No story on today's risk management information systems would be complete without talking about what the insurers are doing."

"You'd have to say the insurance industry is a wakened giant, and will provide the majority of information for risk managers. It'll be very evident very shortly that no (policyholder) will consider talking with an insurer that doesn't have an information system," says Corporate Systems' Mr. Saunders.

The Hartford Group and CIGNA Corp. are providing policyholders with access to an on-line data base system (see related story, page 26).

And, The Travelers Cos.' CARMA system "in terms of scope and price, is very difficult to duplicate," observes Jim V. Davis, chairman of Corroon & Black Corp.'s Advanced Risk Management Services consulting unit in Nashville. CARMA, available only to Travelers' policyholders, costs about \$25,000 annually.

CARMA, introduced in July 1983, now has 53 users, according to Jack Gardner, second vp of Travelers Risk Management Information Services in Hartford, Conn.

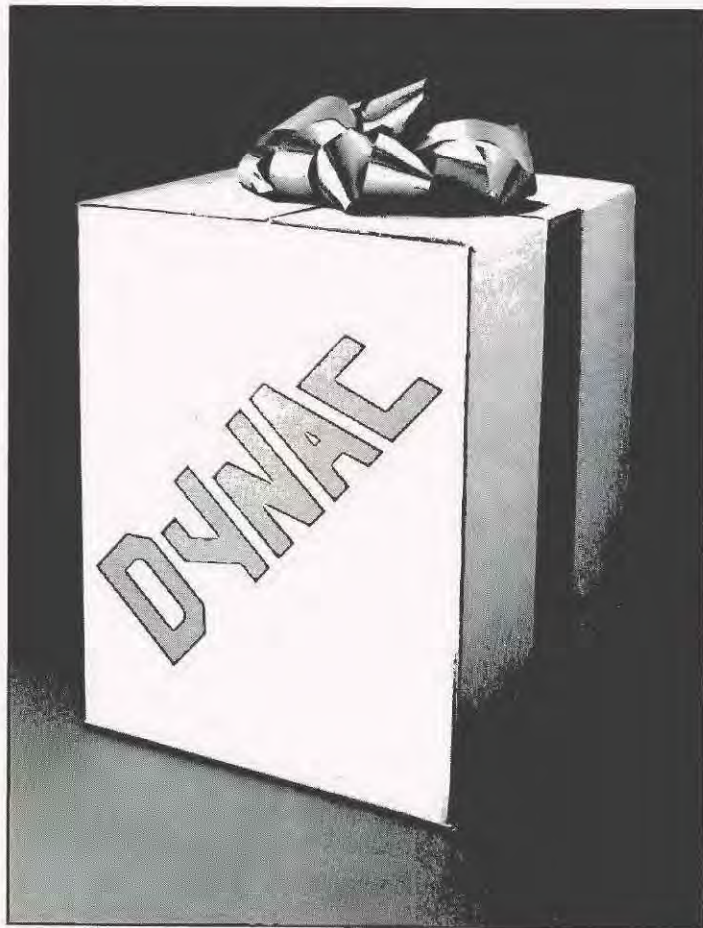
The mainframe-based system will track a risk manager's property, casualty and workers compensation programs, even those which are underwritten by another insurer, he explains. Since CARMA is geared to those policyholders that see at least 1,500 claims annually, the system is applicable to only about 70 Travelers' insureds.

Travelers also plans to introduce a stand-alone micro system, called PC-CARMA, at the upcoming RIMS conference.

Meanwhile, Boston-based Liberty Mutual Insurance Co., according to Betterley, was probably the first insurer to offer a stand-alone, non-mainframe risk management information system, Risktrac.

Risktrac, introduced last spring, runs on a minicomputer and costs about \$40,000, not including hardware, which can also be obtained from Liberty Mutual. ■

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# Anistics Inc. is recognized for superior support service

*Editor's note: Consultants and other risk management information system experts agree that when it comes to RMIS software vendors, three companies clearly lead the league: Anistics Inc. in New York, a unit of Alexander & Alexander Services Inc.; Risk Sciences Group Inc. in Sausalito, Calif., a unit of Crawford & Co.; and Corporate Systems Inc. of Amarillo,*

*Texas. On the following pages, Associate Editor Steve Taravella in the Los Angeles Bureau profiles what makes each of these vendors a leader.*

NEW YORK—Anistics Inc.'s biggest selling tool as a risk management information system consultant and software vendor is service.

Besides selling computer software to a risk manager, Anistics works closely with the buyer during the initial installation of the system and on a continuing basis after the system is operational.

Users of the Anistics system laud the strong support staff available to answer questions and provide training, according to a newly released survey conducted by consultant Risk Planning Group, which recently merged with Tillinghast, Nelson & Warren Inc.

And, in a recent report on vendors of risk management information systems by D.A. Betterley Risk Consultants Inc., Anistics receives the only Excellent-plus for service.

"For those desiring complete assistance in the creation of a Risk Management Information System from need determination to system installation to an ongoing relationship, Anistics should be considered," the Betterley report says.

Standard training for an Anistics system user includes an initial session of two to five days depending on the complexity of the system selected, conducted on the user's premises or at an Anistics' site. This is followed with a one- or two-day session in the risk manager's office a few weeks later. Additional training is provided as needed.

Of Anistics' 125 staff members, about 55 are directly involved in the development or service of its ARIS risk management information software products, says Richard B. Hall, managing vp of Anistics' New York office. Anistics also has offices in Atlanta and Palo Alto and Mountain View, Calif.

Although Anistics regularly works with computer novices, it works best with risk managers who are computer-savvy. "We've got a real strong technical staff, and we feel we're better when we're tested by somebody who really knows what's going on," Mr. Hall says.

Most of Anistics' clients are Fortune 1,000 companies, but the company has some smaller clients, most of which are in the Southeast and are served by its Atlanta office.

About 600 businesses use Anistics' information systems, about 250 of which maintain an active on-line data base and 350 of which use only financial analysis tools.

These numbers are up at least 10% from this time last year, Mr. Hall estimates. The tightening property/casualty market has brought the company "an incredible increase" in the number of companies using the analytical products, notes Tracey A. Carragher, account executive at Anistics and vp at Alexander & Alexander Services Inc. in New York, Anistics' parent company.

Anistics, which has 14 years of experience as a risk management information systems vendor, receives about half of its clients through A&A. Risk management information systems generate about 60% of Anistics' total revenues, Mr. Hall says. Risk management consulting and audits and reinsurance consulting also are done.

Besides strong support services, Anistics offers its clients a potpourri of information systems software, from standard to customized. They include the recently introduced Personal ARIS software, ARIS Level I and ARIS Level II.

The Personal ARIS software is used with a microcomputer and is aimed at companies that generate as many as 300 claims annually.

ARIS Level I is a standard claims management system that produces data either monthly or quarterly; users can gain access at

Continued on page 20

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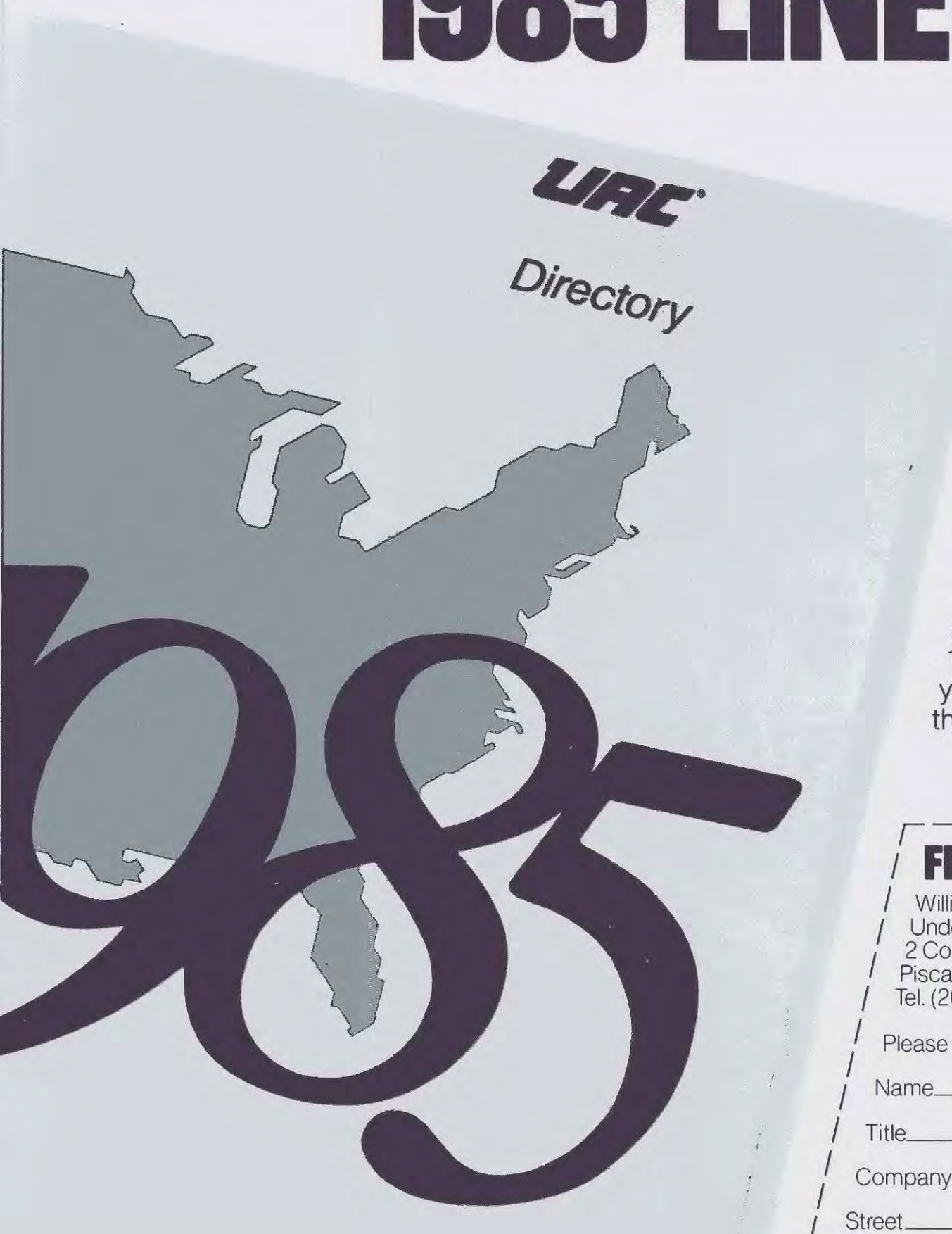
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## Anistics service

Continued from page 18

any time during the workday. Some reports can be printed regularly on the users' premises, but the comprehensive end-of-the-month report is generated by Anistics and then mailed to the risk manager.

ARIS Level I's cost depends on the amount of claims history desired for the data base, the number of locations at which losses are monitored, number of claims handled per month, and how often it's used each month.

The more sophisticated ARIS Level II operates off of Anistics' or the user's mainframe computer, and is designed for companies that see at least 1,000 claims annually.

About 60% of Anistics' users operate the ARIS Level I, about 35% use ARIS Level II, and about 5% operate one of the ARIS personal computer-oriented systems, Mr. Hall estimates.

Anistics' ARIS mainframe systems are best suited for businesses that are self-insured or self-administered, have many locations, have large casualty premiums and exposure, or face especially hazardous risks. In short, the system is designed for businesses whose operations require a lot of tracking, explains Ms. Carragher.

Anistics also is modifying its Personal ARIS software to create a stand-alone risk management information system for use with a microcomputer. The program is to be introduced during the first quarter of this year.

Anistics also will sell its mainframe software to clients with compatible mainframe computers.

The city of San Francisco has used ARIS I for almost two years to administer its workers compensation and public transit liability claims. The city's approximate \$200,000 annual cost mainly reflects telecommunications charges, but also includes Anistics' ongoing consulting services.

Each year, San Francisco processes 10,000 to 12,000 workers compensation claims, for which it is completely self-insured, and 3,000 to 5,000 public transit liability claims, for which it is self-insured up to \$5 million, according to Keith Grant, the city's risk manager.

"I'm pleased with the capacity the system has but I'm frustrated with the slowness that it takes to get us to where we can use more of its capabilities," he says.

To save money, the city decided to enter the claims data into the system itself rather than have Anistics do it for them, he explains. The city still is inputting claims information—it now has a data base of about 40,000 claims—for various city departments. The data base eventually will consist of all claims open at the time the system was set up, and all claims that have been filed since.

The city is on-line with Anistics' mainframe in Palo Alto. There, Anistics generates reports for the city and mails them overnight. The city pays for the printing and mailing costs. However, that is still less expensive than if the reports were produced by the city, Mr. Grant says.

The city owns the computer video display terminals it uses. It obtained them through a lease-purchase arrangement with Anistics, under which Anistics installed the VDTs and then billed the city monthly for a year until they were paid off, Mr. Grant explains.

The Union Pacific System, which includes the Union Pacific, Western Pacific and Missouri Pacific railroads and their subsidiaries, also is benefiting from Anistics' system.

"We'd recommend it to anyone, especially if they're in a hurry to get a system up and running," says M.J. Egbert, assistant director of casualty claims for the UP System in Omaha, Neb.

Union Pacific Railroad went on-line with ARIS I last July for \$35,000, abandoning a manual claims management operation. The other rail units have since joined it and now pay a total of about \$350,000 annually for access to both ARIS Level I and Level II, according to Mr. Egbert.

UP System uses ARIS software to monitor property and third-party liability programs and to track claims filed under the Federal Employee Liability Act, the Federal Railway Administration law that regulates workers compensation for railroad workers.

The UP System uses Level II for such tasks as following litigation and monitoring reserve levels. For example, the company recently used ARIS Level II to conduct a study of accidents at all rail crossings in the system, and periodically uses it to allocate losses among various departments.



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# Risk Sciences' forte is customized systems

For a Fortune 500 company that wants full control of an on-line risk management information system that is customized to fit its needs, Risk Sciences Group Inc. is the consultant/vendor to tap.

Risk Sciences strives to put the risk manager in control of its risk management information system, called SIGMA+.

Every risk manager that uses SIGMA+ has a microcomputer in his office through which he taps into RSG's mainframe computer in Atlanta and then crunches the numbers he obtains. This permits "hands-on capability," says President Joseph A. Destein.

Reports are available immediately as requested by the risk managers; RSG generates no reports itself.

"If they want a vendor to run a system for them and give them the reports, then they shouldn't come to us," explains Mr. Destein. "We want the ones who want to run a system themselves."

In a recent report on risk management information systems, D.A. Betterley Risk Consultants Inc. rated the Risk Sciences system as the most flexible on the market "because of its custom design approach and its objective of placing the user in control of this system."

"I see Risk Sciences in a very, very customized world. They're good in customizing for very, very big clients," says Tracey Carragher, account executive at rival Anistics Inc.

The Betterley report also gave the Risk Sciences system the highest marks for its analytical capabilities. "The SIGMA+ system's analytical capabilities are probably the best in the industry," the report says.

"The micro with the mainframe gives you the ultimate flexibility," Mr. Destein says.

If the risk manager does not already have a microcomputer, RSG will obtain one for him or her, and pass the cost on to the client. Risk Sciences has an arrangement with IBM for distribution of its equipment.

Risk Sciences expects by April to introduce a stand-alone microcomputer product.

Also in the last year, Risk Sciences has designed on-line systems for six clients of its parent—claims adjuster and administrator Crawford & Co., which serves as a marketing arm for some of Risk Sciences' services.

"It opens up a very interesting marketplace for us," says Mr. Destein, referring to the medium and small employers that could benefit from this service.

"It's really just begun to pay off this year, but we anticipate a lot of work from this in the future."

Risk Sciences provides about 250 of Crawford's clients with standard claims management information, like loss-run reports, for which the risk managers pays Crawford. As these risk managers' information needs grow, Risk Science Group seeks to develop a customized system for them.

Although RSG can accommodate a risk manager located anywhere, many of its clients are on the West Coast. They include National Medical Enterprises Inc. in Los Angeles; Crown Zellerbach Corp. and Del Monte Corp. in San Francisco; Signal Cos. in La Jolla, Calif.; and Denny's Inc. in La Mirada, Calif.

Other RSG clients include Dart & Kraft Inc. in Northbrook, Ill.; Xerox Corp. in Stamford, Conn.; and Beatrice Foods Co. in Chicago.

Risk Sciences now has about 35 users in the U.S., and expects that number to grow about 20% an-

nually, according to Mr. Destein.

RSG will work with risk managers with varying degrees of experience with risk management information systems—from those who are experienced on an existing, but suddenly unsatisfactory system, to novices who know they want something but aren't quite sure what.

RSG's systems are best suited to companies that have large self-insured retentions.

The length of time it takes RSG

to set up a system can range from three to four weeks up to three months, depending on the risk manager's needs and particular circumstances. If data must be obtained from insurers and adjusters, the process will take longer, Mr. Destein explains.

Most of RSG's self-insured clients input their data themselves, but those who insure their property and liability exposures must have their insurers send claims and loss information monthly to RSG in At-

lanta where the data is entered.

RSG generally provides a three-day training session for the employees who will use the system. That training is provided at its Sausalito, Calif., headquarters and is usually followed by a one-day follow-up training session on the user's premises once the system is installed.

Risk managers generally sign a yearly service contract with RSG, which then provides the user with any enhancements or additional

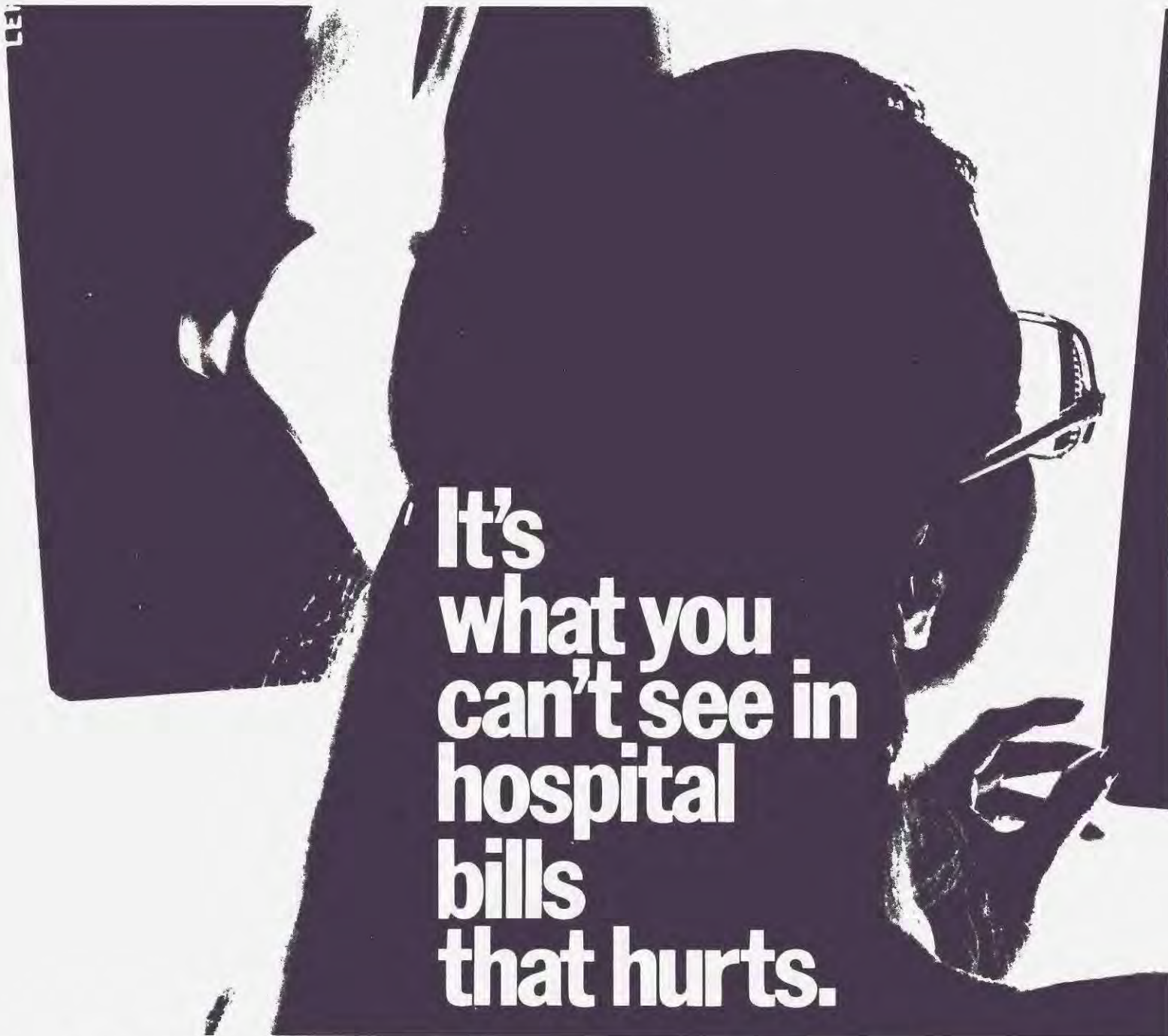
capabilities as they are developed.

RSG does not receive the bulk of its clients through recommendations from independent consultants such as D.A. Betterley Risk Consultants Inc., Mr. Destein says. Rather, it attracts them via word of mouth of existing clients.

Anheuser-Busch Cos. Inc. is one user that gladly touts RSG.

"There are those that say they can do anything, but then fall short with the nuts and bolts, and then

*Continued on facing page*



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—Are all charges applicable to the admitting diagnosis? Or included under the patient's insurance coverage?

Continued from facing page there are those like Risk Sciences, who don't come on too strong, but who are really helpful. We think a lot of them," says John W. Robson, director of corporate risk management and insurance for the St. Louis-based brewer.

Risk Sciences is now completing a data base for Busch that will produce "a commonality" among the brewer's casualty and workers compensation claims.

RSG is inputting claims data supplied by four of Busch's adjusters: Johns Eastern Co. Inc. in Sarasota, Fla.; Gates, McDonald & Co. in Columbus, Ohio; Crawford & Co. in Atlanta; and Associated Claims

Management Inc. in Walnut Creek, Calif.

Hewlett-Packard Co., the high-tech heavy in Palo Alto, Calif., chose Risk Sciences as a vendor for its risk management information system because it wanted a solution quickly, rather than wait to develop internal capabilities, says Cedric Hughes, property and casualty insurance manager. "It's not been a cheap solution, but it's been an important solution."

The system has improved the risk management department's efficiency and its ability to gather and quantify data, Mr. Hughes says. He enjoys its ad-hoc capabilities (projecting "what if" scenarios) and

the ability to allocate premiums among several hundred locations via the system.

Hewlett-Packard also uses the system to track its auto and general liability program, underwritten by Boston-based Liberty Mutual Insurance Co.; its self-insured workers compensation program, administered by California Casualty Insurance Co.; and its property program, underwritten by Allendale Mutual Insurance Co.

Liberty Mutual and California Casualty send monthly tapes of claims data to Risk Sciences in Atlanta, where the data is entered into the system. ■

## Corporate Systems is granddad of information system vendors

When a risk manager turns to Corporate Systems for an information system, he or she can count on the 18 years of experience behind its products.

CS, based in Amarillo, Texas, has been producing risk management information systems longer than any other vendor, observers point out.

But, its president is also a key to the company's success. "Guyon Saunders is a great name in the

field of information systems and is a great salesman," admits one of Corporate Systems' competitors.

According to a recent evaluation of available systems by D.A. Betterley Risk Consultants Inc., CS has the most comprehensive product line in the industry. It also gets the highest marks for its data conversion ability.

And James D. Blinn, vp at consultant Tillinghast, Nelson & Warren Inc., says, "What impresses me about CS is that they have a fairly broad base of mainframe products. They can take you from a system of just basic batch reports to a fairly sophisticated on-line system."

Risk managers in any kind or size of industry can use CS products, although David A. Tweedy, a consultant at D.A. Betterley, notes that CS is particularly successful

**'Their niche ranges from the smallest user on up to the high middle end,' says Lee Balkum.**

with cities and other municipal governments.

"Their niche ranges from the smallest user on up to the high middle end, and they're easily the most dominant in that market," adds Lee Balkum, senior vp at Advanced Risk Management Services, a Corroon & Black Corp. consulting unit in Nashville, Tenn.

CS also is the only major vendor that provides a claims management and information system for employee benefits as well as for risk management, according to the Betterley report.

Risk management functions are performed with CS On-line software, while benefit functions, including management of medical, dental, vision, accident, and disability plans, can be performed on CS QicClaim.

"This offers significant advantages to corporations desiring to maintain an accurate grasp on such high exposure areas as workers compensation and employee benefits," the Betterley report notes.

CS QicClaim, developed and marketed through Resource Information Management Systems Inc. in Oak Brook, Ill., has not sold well, Mr. Saunders confides, expressing surprise that risk managers would not jump at a benefit product that would complement the risk management software that allows them to track their workers comp programs.

The cost of the CS products also  
*Continued on next page*



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## Corporate Systems is granddad of information system vendors

Continued from preceding page is very attractive, according to Mr. Balkum.

"The risk manager can get usable data from CS—perhaps not in as flexible a form as from the other two (Anistics Inc. and Risk Sciences Group)—but he can get it at a competitive price per claim," says ARMS' Mr. Balkum.

CS On-line would cost an average of one-half of 1 percent of a company's total cost of risk, Mr. Saunders estimates.

While the company's products are strong, they are standard, observers say. Risk managers seeking very customized or theoretical systems might look elsewhere.

Tracey Carragher, account executive at Anistics, observes that CS'

**'They've been responsive to our particular needs,' says Mr. Mallernee of Westin Hotels.**

strength lies in "a very good off-the-shelf, standard reporting system."

CS is "among the best at having existing programs on hand to transfer data from various sources," like magnetic tape from an insurer, notes Betterley's Mr. Tweedy.

Most of the data entry is handled by CS in Amarillo. Insurers, adjusters and claims administrators send information about the risk manager's loss activity on magnetic tape to Amarillo.

"If (risk managers) did all their own inputting, they wouldn't have time to do anything else," says Mr. Saunders.

Only about 15% of CS On-line users are self-insured, and about half of those are self-administered, Mr. Saunders estimates. CS has about 300 customers, many of which are insurance companies or claims administrators that purchase the system to provide to their clients.

Mr. Saunders estimates CS has about 1,000 total users.

In addition to initial instruction, CS conducts about eight training sessions around the United States annually for its users.

Seattle-based Westin Hotels is one major employer putting CS On-line to use.

"It's probably one of the finest tools I have to convince top management to become aggressive in loss control and to show them where our premiums are going," says Erwin Mallernee, Westin's risk manager.

Westin, with 30 hotels in the United States and Canada, has used Corporate Systems since October 1980 to manage its workers compensation and general liability programs, both underwritten by Aetna Life & Casualty Co. of Hartford, Conn., and to keep track of its Bermuda captive, Westel Ltd. The captive is managed by Johnson & Higgins, which is also Westin's broker.

In this case, J&H is the CS client. Westin's cost for the system is built into J&H's broker fees.

Mr. Mallernee appreciates the features of the CS system that give him the ability to allocate premium costs among the chain's hotels based on their individual loss experience and the ability to analyze losses based on a variety of criteria, such as the precise location in the hotel of each accident.

However, Mr. Mallernee does not have a computer terminal in his office. Westin's hotels each send their claims information, in paper report form, to J&H in Seattle, where J&H enters the data into CS' mainframe in Amarillo.

Aetna sends claims and reserve information on tape monthly to the same CS computer. CS then puts the two collections of data together into one data base of claims information. CS sends each hotel a report of its own experience bi-monthly, and Mr. Mallernee receives reports on all of them.

"They've been responsive to our particular needs," he says.

For example, the CS system enabled Westin to track details like how long an employee had worked in a particular position before he or she was injured on the job. Such information helps the company identify where additional job training may be necessary, he points out. ■

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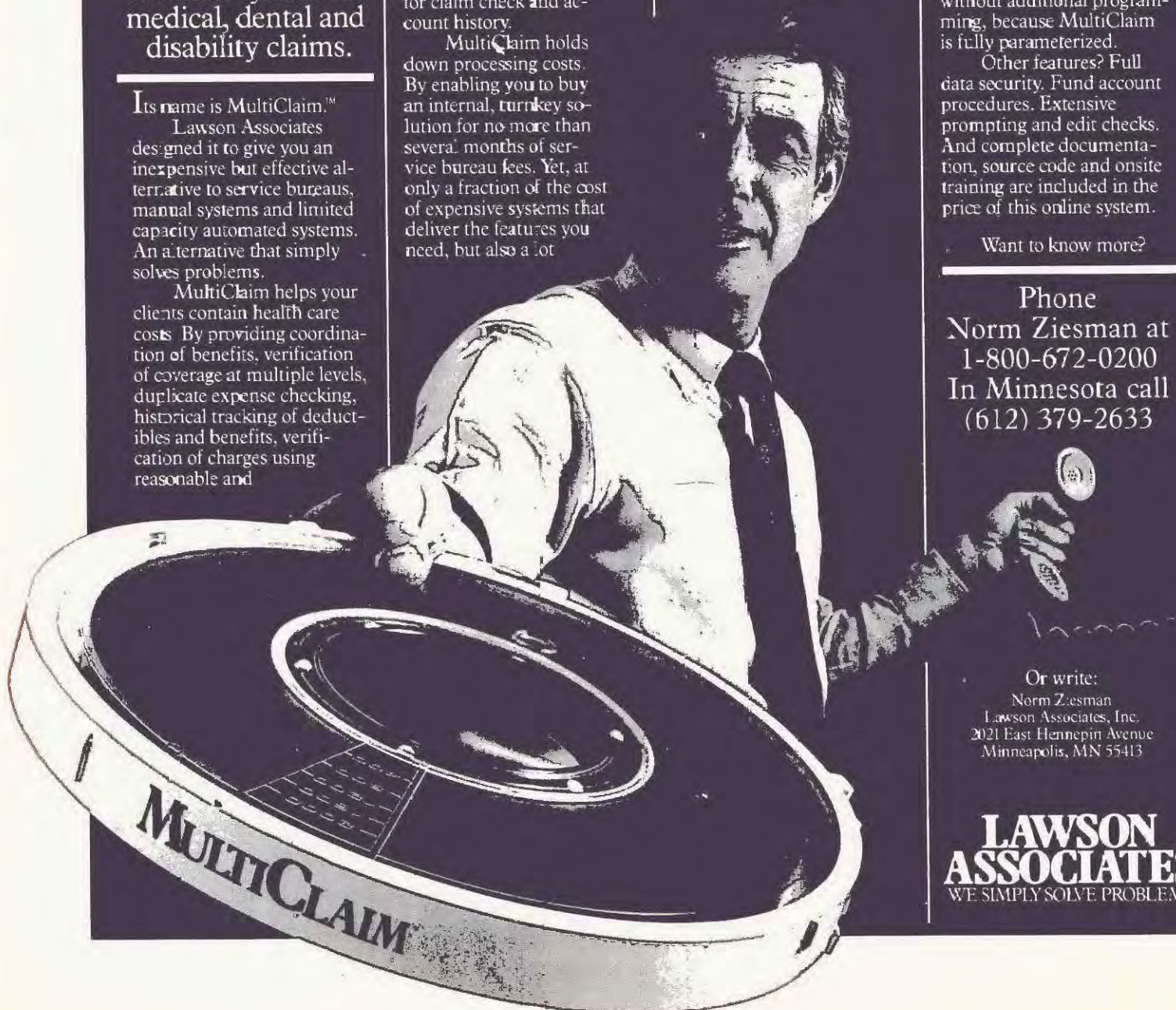
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# CIGNA offers system to larger policyholders

By STEVE TARAVELLA

Major policyholders of CIGNA Corp. may not need to look very far for a solution to their risk management information needs.

CIGNA offers its larger commercial policyholders access to CIGNA Risk Information System, or CRIS, at no additional charge. Currently, about 650 businesses use the system, and about 80% of them also have their brokers on the system.

Policyholders are automatically eligible for on-line access to CRIS if they generate at least \$1 million in premium volume annually in any casualty line or pay at least \$100,000 in fees annually to CIGNA's claims-handling subsidiary, ESIS, explains Albert Naylor, director of CRIS administration in Philadelphia. CIGNA gives these businesses—currently about 250—an IBM personal computer and a color printer.

And, businesses whose annual casualty premium is between \$500,000 and \$1 million, or whose ESIS fees are between \$10,000 and \$100,000 annually are automatically eligible for dial-up access to a data base of their claims history, Mr. Naylor says. CIGNA provides these businesses—currently about 400—with a free desk-top terminal and black-and-white printer.

In addition, CIGNA will negotiate with smaller companies that want access to CRIS.

A few other underwriters, including Fireman's Fund Insurance Cos. and Hartford Insurance Group, are experimenting with similar information system arrangements, but none on as widespread a level as CIGNA's CRIS.

"Our main thrust was just to get rid of hard-copy reports," Mr. Naylor says. "We've given (policyholders) tools we've never had before." He estimates 80% of the CRIS users previously had no automated information system.

And, in addition to the computer, CIGNA gave CRIS users a portable terminal they could give their brokers. About 80% have done so, Mr. Naylor estimates.

"It makes it much simpler for the us, the underwriter and the broker to discuss the same facts. There's no distortion of information," says Lee Sylvester, assistant risk manager for the state of New Jersey.

New Jersey, which has used CRIS since July 1983 to manage its vehicle liability insurance program, has its broker Corroon & Black of New York, on-line.

In addition to improving efficiency, CIGNA had another motive for introducing CRIS.

"It gives us a state-of-the-art selling tool," Mr. Naylor says.

For example, he says CIGNA won several accounts because of CRIS, even when CIGNA's premium was not the lowest.

Mr. Sylvester agrees, "It easily saved (CIGNA) accounts last year. Competition that grew up against them couldn't compete with the overall service that CRIS provides."

CRIS began in 1982, when CIGNA purchased the software from Corporate Systems and modified it. And, the relationship between the two companies is ongoing. CIGNA purchased the mainframe computer on which CRIS runs from CS, and it remains at CS' Amarillo, Texas, headquarters.

CRIS has a staff of about 40 in three offices: Philadelphia; Wilmington, Del.; and Voorhees, N.J. These employees train users at the policyholder's site, and one staffer is assigned as a permanent contact for each company. And, about 10 more CRIS staffers work out of Corporate Systems in Amarillo.

The system can be used for many

claims management and loss-tracking tasks, and it can be accessed between 7 a.m. and 8 p.m. EST.

"The key to all of this is the gathering of and the maintenance of the information data base," says Guyon Saunders, president of CS.

CS maintains the data in Amarillo and provides CRIS users with enhancements about once a month, he says. CS is paid a fee for co-managing the system, but he would not say how much.

CIGNA will not reveal what it spends on the system annually, or what it spent initially.

American Cyanamid in Wayne, N.J., was the first company to go on line with CRIS, in May, 1982.

"We've brought it into our daily routine here, and use it as daily needs come up. It's indispensable in

that sense," says Bruce Rafferty, insurance analyst at Cyanamid.

The company has one IBM terminal and a color printer supplied by CIGNA. Previously, American Cyanamid only had hard-copy loss runs from Insurance Co. of North America and ESIS, which administer property, casualty and comp claims for Cyanamid.

ESIS sends claims data on Cyanamid's general liability, auto liability, product liability and workers compensation to the mainframe operation in Amarillo.

An advantage for Cyanamid is that the system can maintain information on the company's experience with other insurers before it came to CIGNA in June 1980.

For example, General Adjustment Bureau Business Services

Inc., based in Parsippany, N.J., is providing data on claims it administered for five years while Cyanamid's casualty coverage was underwritten by American International Group, Mr. Rafferty says. That puts 10 years of claims experience at Cyanamid's fingertips.

The company's broker, Johnson & Higgins in New York, is on-line with CRIS.

Mr. Rafferty also notes "a tremendous amount of attention" that the company receives from its CRIS representative and his backup team.

Although CIGNA's CRIS system is probably the largest such effort by an insurer, others are working with similar concepts.

For example, about 100 of Hartford's policyholders that bring in \$1

million or more annually in property, liability or workers comp premiums have access to a data base of their claims activity through Hartford's OSCAR software, according to Charles Turchi, assistant secretary of Hartford Specialty Co.

The software is not free to these users. And, a computer is not supplied, but the company will help policyholders get one, he says.

Policyholders can have the cost of access to OSCAR included in their insurance contract, or they can pay for it on a regular fee basis, based on premium volume.

Hartford spent about \$3 million to develop OSCAR and spends about \$1 million annually to maintain it. OSCAR, begun in 1981, now has about 500,000 claims in its data base, Mr. Turchi estimates.

# AMERICAN IN REINS

## The arson crisis: putting the heat where it belongs

How big is the arson problem today?

One northeastern county with 69 municipalities identified 66% of structural fires as suspicious or incendiary in 1981. In 1982 this same county delivered 42 criminal indictments for arson and received 92 more confessions of arson.

No one knows how many fires are actually caused by arson. A leading property insurance company shows that over 43% of structural fires in 1982 were suspicious or incendiary in origin.

One of the country's best-known arson experts estimates that at least 50% of all

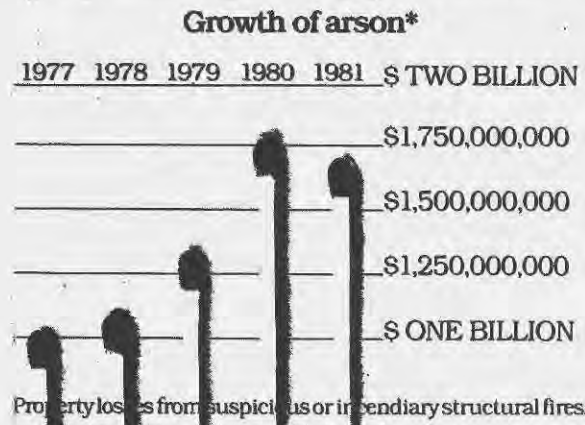
structural fires are deliberately set.

Figures from the National Fire Protection Association show a 72.5% increase in costs associated with arson from 1977 to 1980. In 1981, however, the dollar loss declined slightly. Is this the effect of increased anti-arson activity? It is too early to tell.

What can be done about this growing problem? At American Re we decided to tackle it head on. We teamed one of America's foremost arson experts with one of the country's most respected arson attorneys to lead a series of anti-arson seminars. The seminars address such topics as:

- Whose problem is arson?
- What's the toughest problem in fighting arson?
- Working with local anti-arson squads
- Preserving evidence
- Identifying arson defense firms
- The role of the arson investigator
- Benefits of an anti-arson program
- How to set up a successful anti-arson program

At the seminars, small numbers of primary insurance company executives discuss their experiences with arson, and exchange ideas on how to cope with this



\*Source: National Fire Protection Association

# AMERICAN REDEFI

## Choose vendor carefully: Experts

By STEVE TARAVELLA

Risk managers looking for an information system should shop among established, reputable vendors because some suppliers probably will drop out of today's competitive market, consultants advise.

Two manufacturers of risk management information systems that participated in a 1982 systems survey by consultant Risk Planning Group Inc. could not even be located to participate in the current edition, according to the survey.

And two major companies that entered the risk management software business, affiliates of brokers Corroon & Black Corp. and Reed Stenhouse Inc., have pulled out or cut back over the past year.

"We anticipate continued turmoil among providers as competition increases. This changing provider picture clearly points to the need for system selectors to gauge care-

fully the level of commitment of any potential service providers," advises RPG's biennial report.

David A. Tweedy, consultant at D.A. Betterley Risk Consulting Inc., says, "By the end of this year, I predict a lot of the small vendors aren't going to be around." He foresees a "weeding-out" over the next few years as major vendors introduce stand-alone systems that operate independently of a mainframe.

James D. Blinn, who spearheaded the survey, says, "People are coming out with systems right and left. It's a time of confusion about which way to turn." He is a vp with Tillinghast, Nelson & Warren Inc.

Reed Risk Management Inc., a subsidiary of Candian broker Reed Stenhouse, stopped a yearlong software development push last March, deciding to focus its energies on information system consulting and customized development.

The system Reed Risk Management was working toward was "a full-blown automated approach to risk management," says Vp Pat Bader.

"We recognized that there are good vendors on the market right now. The costs for developing this were quite immense. We felt we could more adequately serve clients... on a (consulting) basis," she explains.

The Boston-based Gillette Co. was left in the lurch when Reed pulled out. Gillette contracted with the company in late 1983 to develop a software package.

Reed, which was being paid in stages, had received one payment when it notified Gillette last August that it would not complete the project, recalls William Mather, administrator of risk management.

Since Reed returned the funds, Gillette lost only the time it had invested.

Gillette is now taking care of its information needs "on a piecemeal basis," Mr. Mather says. "We're still feeling our way along, and hopefully will still get to our original goal of a comprehensive system."

Currently, Mr. Mather is receiving reports on Gillette's workers compensation claims from Alexis Inc., a claims-handling system of Alexander & Alexander Inc. And it is getting its feet wet with CRIS, the Corporate Systems-based product CIGNA Corp. offers its policyholders (see related story, page 26).

Today, Reed Risk's 22 staffers help risk managers identify their information needs and find software to meet those needs.

The other major company to have abandoned software manufacturing is Risk Information Services, a unit of Corroon & Black's Advanced Risk Management Services division in Nashville. RIS closed its doors in January 1984.

"We saw no real way to make it profitable. It was just far too costly to offer it," says James Davis, ARMS chairman.

RIS had provided information system software for about seven years when it decided to pull out two years ago, he says.

Now, ARMS, like Reed Risk, is helping risk managers find an information system.

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# INES REINSURANCE

## Consultants ease search for system

By STEVE TARAVELLA

Risk managers who know they want a computerized information system but aren't sure what to look for—or even where to begin—might consider tapping the resources of independent risk management consultants.

These companies, like D.A. Betterley Risk Consultants Inc. in Worcester, Mass., or Tillinghast, Nelson & Warren Inc. in New York, can help risk managers find a system that fits their needs and their pocketbook.

These consultants are not affiliated with any vendor, broker or insurer that sells software systems, and they receive no commission from manufacturers. Nor do they provide hardware or software. They just help a risk manager find "The Right Stuff."

They frequently work with the major vendors, like Anistics Inc., Corporate Systems and Risk Sciences Group Inc. (see profiles, pages 18-24). And, they say, one of these large companies might be the best choice.

"Among those three, you're really not going to go wrong no matter which one you pick. All are very capable organizations," says David A. Tweedy, a consultant at Betterley.

But, turning to one of the big vendors may not always make the most sense.

"Sometimes you don't need all the bells and whistles that go with an Anistics (system). You may just need a bread-and-butter, meat-and-potatoes product. There are benefits of going with a smaller system," Mr. Tweedy says. "You just don't need to hit a tack with a sledgehammer."

Meeting with a consultant before shopping the market personally gives the risk manager a clearer picture of just what he or she needs, the consultants say.

And, consultants can serve as an intermediary of sorts: They can speak the lingo of both risk manager and supplier. They have risk management know-how that some vendors may lack, but they are familiar with the technical capabilities of the information systems.

"What we bring to the tables is really an understanding of the buyer," says James D. Blinn, vp at Tillinghast, Betterley's chief competitor in the area of risk management information systems consulting.

Mr. Blinn was a senior consultant at Risk Planning Group in Darien, Conn., which merged with Til-

Continued on next page

## Consultants point the way

Continued from preceding page  
linghast last year. Risk Planning Group's expertise in risk management information systems has boosted Tillinghast's presence in that arena.

Consultants say that they are aware, for example, of the risks and exposures risk managers face, and of what information is important to the risk manager.

Consultants will evaluate the risk manager's existing claims management or information system, whether it is manual or automated, and then develop requirements for a new one.

If many vendors could produce the type of system desired, the consultant might prepare a formal request for proposal. But, more often the consultant will draw up requirements to submit to the two or three vendors the consultant feels would be most capable of providing the right system.

Once the vendor has been selected, the consultant would supervise installation and then ease out of the picture. Training is provided by the vendor.

Services provided by the consultant after the system is up and operational vary. The risk manager may seek occasional advice from the consultant, for which he or she might be charged on a per-diem basis. But it's rare for a risk manager to ask for a long-term consulting contract after the system is set up, Mr. Tweedy notes.

It is usually about five months from the initial risk analysis to purchase of an information system.

But, both Mr. Blinn and Mr. Tweedy are quick to point out that time varies greatly, depending on such things as the size of the project and the eagerness of the risk manager.

Mr. Tweedy says inquiries from risk managers about risk management information systems are up about 15%-20% from last year, and that even businesses overseas are requesting assistance in evaluating U.S. vendors.

Consulting on risk management information systems generates about 10% of Betterley's income, estimates Mr. Tweedy, who adds that the real percentage could be much higher because this area of consulting is often included in the cost of larger, more comprehensive consulting projects.

Information systems consulting is also growing at Tillinghast. The company will do 50% more business in this area than it did last year, Mr. Blinn estimates.

To date, Tillinghast has assisted more than 50 risk managers at various points in their search for an information system; Risk Planning Group has taken 10 risk managers through the whole process, from point zero to a purchase.

Both Tillinghast and Betterley's services come on a time-and-expense basis, and fees vary greatly according to the level of work involved. For example, they could range from several hundred dollars for a few hours advice over the telephone to \$50,000 for a complete revamping of a Fortune 200 company's information system.

## Consultants look toward busier future

Continued from page 3  
number of risk managers expressing an interest in forming a captive, particularly captives that primarily write property risks (see story, page 32).

"In the soft market, it was simply more advantageous to transfer the risk at very low prices. So people transferred the risk," he says. "Once the price gets up to a reasonable level where an underwriting profit can be made, then all of the sudden it makes sense to look at a captive again."

"I think that we're being asked at this point increasingly for opinions as to alternatives to insurance," says Wyatt's Mr. Brockmeier. "There are more people looking again at self-insurance than there were a year ago."

"People are becoming more interested in exploring the opportunities to retain more risk, whether it would be deductibles in the property area or again taking a look at the self-insurance option in the casualty area," according to C.C. (Bud) Griffin, chief executive officer of Warren, McVeigh & Griffin, based

**'I think we're being asked for opinions as to alternatives to insurance,' Wyatt's Mr. Brockmeier says.**

in Newport Beach, Calif.

Although risk managers are usually the ones seeking help from consultants, the risk manager's boss sometimes will request a consultant's advice, according to Mr. Betterley.

"It's been a buyer's market for the past five years, and if you have a treasurer or a chief financial officer who inherited the insurance/risk management function within the past five years, he's never been through a seller's market," Mr. Betterley points out.

"Premium increases are so great that the risk manager or treasurer is having a hard time explaining it up the line, and management wants a second opinion," adds Mr. Griffin.

Many risk managers have not prepared their superiors for a doubling or tripling of insurance premiums. Those bosses then ask consultants to explain the increases, Mr. Griffin says.

"There're saying, 'Maybe we'd better get an unbiased party in here that knows something about this business to take a look at this pricing problem,'" he explains. "Often this will also trigger a request by management for a total audit of the program."

Most consultants agree with Mr. Griffin that once companies handle the immediate problem of negotiating policy renewals, they will want an extensive risk management audit on which to base their strategy for dealing with future rate hikes.

"What's happening now is the brokers are coming in with the bad news, and buyers are trying to figure out how in the short term to respond to that," according to W. Rodney Smith, a principal with Risk Planning Group Inc. in Darien, Conn., another Tillinghast unit.

But, Mr. Smith says he expects insurance buyers will seek complete audits of their risk management programs after they have completed their renewals.

Continued on page 30



**"Crawford Risk Control helped me reduce Hardee's total loss experience by approximately 30% . . . we have added nearly \$1,000,000 to our bottom line."**

Susan Werner, Director of Risk Management, Hardee's Food Systems, Inc.

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## Consultants say business is improving

Continued from page 28

Mr. Betterley concurs. "I think a lot of risk managers are putting out fires," he says.

But after they deal with the immediate crisis, "their managements may be interested in having us take a good look at the whole program," he says.

Searching for a solution to an immediate problem, such as a whopping rate increase or the unavailability of a certain type of coverage, will eventually lead to a request by management for an objective appraisal of the company's entire insurance program, according to Mr. Betterley.

"You might be asked immediately for help in the renewal of an umbrella policy or D&O coverage, but with the market changing and shifting, it's inevitable that it will create a demand on the part of companies for a total review," he says.

Although every consultant takes a somewhat different approach to a risk management audit, most agree that such audits generally involve:

- An examination of the organization's operational structure, con-

# Don't strike out at renewals: Consultants

By ROBERT A. FINLAYSON

Now that risk managers have to go to bat for the insurance coverage they want, they need to practice some old plays.

"During the last few years all you had to do was tell the insurance company you were unhappy, and they'd reduce the premium 25% and broaden the coverage," quips risk management consultant Glen E. Pehl.

"Now it's a different ball game," says Mr. Pehl, president of Industrial Insurance Management, based in Charlotte, N.C.

To avoid striking out during coverage renewals, risk management consultants say risk managers can employ three strategies when they are faced with big rate hikes or capacity shortages. They can:

- Make sure they negotiate as effectively as possible when they renew existing coverage by aggressively marketing the risk to the underwriter.

- Allow other insurers to bid on their account if the quote from the existing insurer is not satisfactory.

- Increase deductibles or examine risk-financing alternatives like self-insurance or formation of a captive if they cannot buy adequate coverage or receive a satisfactory quote from an insurer.

Typically, consultants say they recommend some combination of all three strategies.

These strategies may sound familiar to veteran risk managers since they are basically the same techniques that consultants recommended and risk managers used during the last market crunch.

But, the consultants point out, the strategies must be brought up to date.

For example, the single-parent captive, which was widely recommended by consultants as a risk-funding alternative during the previous tight market, is now frowned upon by many consultants because of questions surrounding the tax deductibility of premiums paid to captives (see story, page 32).

A key strategy for a risk manager facing a rough renewal, the consultants say, is to develop a sound package of information that makes it easy for the underwriter to understand and evaluate the company's risk.

Unlike previous renewals, when underwriters seemed willing to accept almost any risk, consultants note that underwriters will now re-

ject risks that don't appear desirable.

"You have to burden them with the facts. In a sense, what you have to do is reduce the level of risk in the mind of the underwriter," says Luther T. Griffith, president and chief executive officer of Anistics Inc., a risk management consulting unit of New York-based Alexander & Alexander Services Inc.

Joseph A. Destein, president of Risk Sciences Group Inc. in Sausalito, Calif., a subsidiary of Crawford & Co., agrees.

"If underwriters are going to give anybody a good hearing and a good deal on pricing, it's going to be the risks they understand and that are presented to them in very concise way," he maintains. "If you can give them a very precise analytical

Continued on facing page

**'People are becoming more interested in... retaining more risk,' says Mr. Griffin.**

tractual obligations and property.

For instance, a consultant auditing a manufacturer would identify the company's product or products and its customers. And, an audit for an accounting firm would identify the type of clients served by the firm and the services that the firm provides.

- Studying the client's loss history, including the type, frequency and severity of losses.

- Profiling the organization's current risk retention and risk transfer practices, including an examination of risks that are self-insured or insured through a captive insurance company. This profile also would include an analysis of the company's deductibles and retention levels.

- Examining the insurers and reinsurers on the company's risk. Consultants say this is an increasingly important element of a risk management audit because of growing concern over insurer insolvencies.

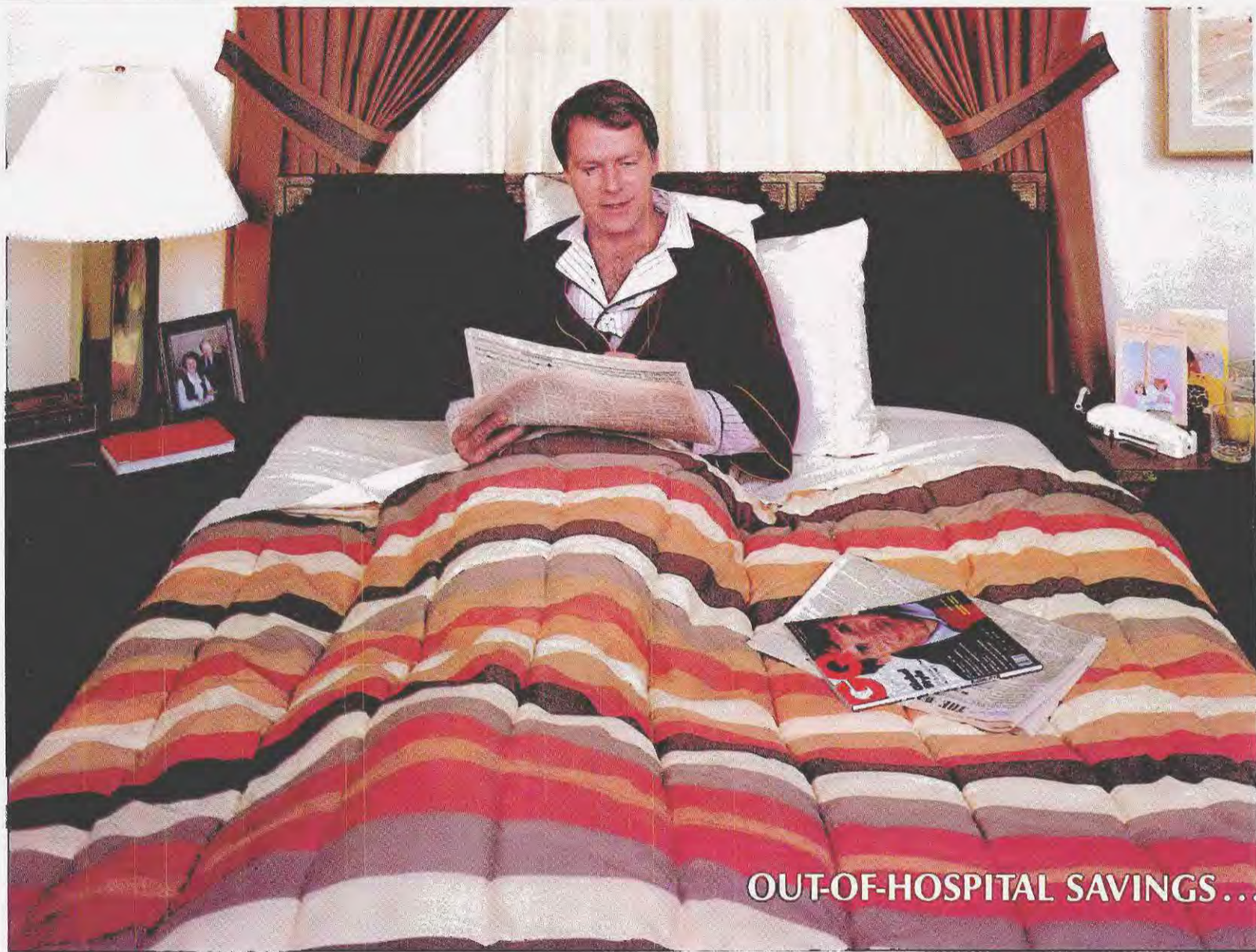
- Matching up current exposures with existing insurance and identifying any potential gaps in the risk management program.

Donald R. Cook, senior vp with Ebasco Risk Management Consultants Inc., the New York-based subsidiary of Ebasco Services Inc., says a risk management audit is similar to a financial audit.

"It's sort of like when a CPA comes in and takes a look at a company's books to see exactly where they stand financially." Only a risk management audit, he says, looks at the performance of the risk management function.

As for the cost of a risk management audit, most consultants bill such services on an hourly basis, meaning that the larger the company or organization and the more complex its insurance program, the costlier the audit.

Generally, consultants say that they estimate the cost of the audit before they begin the project, and many say they will guarantee the estimate.



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Continued from facing page presentation, backed up by very sound statistics and actuarial analysis, their job is so much easier."

Making the underwriter's job easier, particularly when the underwriter likely has more requests for coverage than he can accept, can be the difference between acceptance and rejection of a risk, most consultants say.

"If you walk in with the more traditional approach of volumes of data, where the underwriter has to do all the work, then they're much more reluctant to quote the account," Mr. Destein explains.

"And, if the underwriter's job is to get rid of premium, rather than try to bring on more premium, the one they're going to get rid of first is the one that takes the most effort to deal with."

Mr. Destein says he expects consultants will have to rely more heavily on quantitative analysis to help clients put together marketing

packages for underwriters.

The risk managers that were most successful in holding down rate increases and retaining hard-to-place coverage during the previous tight market were the ones that were able to develop very sophisticated statistical reports that included loss development and payout factors, he says.

These risk managers can demonstrate the profitability of an account to the underwriter, consultants say.

Bernard J. McGovern, president of Baltimore-based Insurance Buyers Council, says if he can show the underwriter that the insurer made money on a given account, he can often persuade the underwriter to moderate the requested rate increase.

"If in fact a client has had favorable loss experience, it just doesn't seem fair in six months time to significantly increase the client's premium," he says. "Most carriers will

respond to this."

Mr. McGovern also says that, if there is time before a client's renewal, he likes to audit the client's risk management program.

"We want to make sure that what they're buying today is correct in relation to what their exposures are," he says. "There's no sense in dickering over price if the coverage is grossly inadequate or if the client is overinsured."

Once the underwriter comes back with a quote, whether on a renewal or a new policy, consultants say they can also help the risk manager determine whether he or she is getting a fair price.

"I think that we can pretty well determine, based on the other offers that we're seeing, whether our clients are getting a fair shake," says William C. Moore Jr., president of McNeary Insurance Consulting Services Inc., a subsidiary of actuarial consultant Booke & Co. based in Charlotte, N.C.

"We don't pretend to say we can keep their costs from rising," Mr. Moore explains. "But hopefully we can minimize some of those increases."

Most consultants seem to agree that risk managers should, if possible, avoid using the second of the three strategies: Putting their insurance programs out for bids from a number of underwriters.

"Going out into the marketplace on a bid basis in a tight market is not guaranteed to bring positive results from a price standpoint, as it might have over the past five or six years," says Michael A. Rodman, a vp with J.H. Albert International Insurance Advisors Inc. in Needham, Mass.

"So, we tend to emphasize trying to stick to a fair and acceptable negotiated renewal before thinking about going into the market."

When a risk manager considers putting an insurance program out for bid in a hard market, explains

Warren G. Brockmeier, vp of risk management services with The Wyatt Co. in Chicago, "It must be done with recognition of a number of factors.

"Does the client have a need that is unique and is best addressed by a long-term relationship with one insurance company? Or, is it a need that can be met by any one of a number of insurers, where a long-term relationship is not significant?" Mr. Brockmeier asks.

Although consultants say they advise clients to avoid putting a program out for bid in a hard market, they acknowledge that sometimes the client can benefit by doing just that.

"We had a client that had a shocking 400% mid-term increase on a property policy, and ultimately, after going into the marketplace, they were able to replace the coverage for about a 75% increase," says Bruce S. McCallum, executive vp with Chicago-based Corporate Policyholders Counsel Inc.

"If one does have to go into the market," Mr. Rodman says, "then it's important to reach all of the potential stable carriers, because in a tight market you never know which carrier is going to provide the most attractive proposition."

Mr. Rodman notes he has found it is often necessary to approach as many as 15 insurers to get just two premium quotes when the market is tightening.

"We find that it's necessary to approach a wide scope of carriers to get some comfort that what you wind up with is as good as you could have done," he adds.

Risk management consultants say they assist the insurance buyer and his broker in preparing bid specifications and oversee the bid process to ensure that the buyer is getting the best price and terms and conditions possible.

Further, consultants contend they act as an unbiased third party that does not have a vested interest in what insurer wins the account.

Examining alternatives to their current coverage is the third strategy risk managers can tap when dealing with a hardening market, consultants say. These alternatives include assuming a larger deductible to hold down a premium increase and to even retain the risk itself, by self-insuring or through a captive insurance company.

"Some of the strategies for dealing with the hard market have to do with a review of risk assumption potential within a corporation, and an assessment of whether it is being fully utilized to reduce the premium expenditure," says Mr. Rodman.

During the competitive market, he notes, insurers did not give much rate credit for policyholders that assumed a larger deductible. "So corporations did not, therefore, take as large a deductible as they might have. It just didn't pay."

But now, he maintains, proper use of risk assumption techniques is "going to be important to minimizing premium price increases."

Some consultants are also helping their clients study the feasibility of self-insuring their risks, either on an individual or group basis, or insuring them through a captive.

"If insurance at the primary level becomes prohibitively expensive, clients look for other remedies, which may be a captive or some kind of risk pooling arrangement," says George M. Betterley, managing principal of Betterley Consulting Group of Newton, Mass., an affiliate of Tillinghast, Nelson & Warren Inc.

"An increasing number of clients are interested in self-insurance studies," says McNeary's Mr. Moore. "As capacity begins to shrink, I think more and more people will be looking at the option of self-insuring."



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## Consultants divided over captive benefits

By ROBERT A. FINLAYSON

Risk management consultants are split over the importance captive insurance companies will have in helping risk managers deal with the tightening property/casualty insurance market.

Many risk management consultants say that growth of single-parent captives is at a standstill, though almost all the consultants contacted by *Business Insurance* say that association and group captives will become an increasingly important alternative to the commercial insurance market.

Factors weighing against the growth of captives, particularly single-parent captives, according to

some risk management consultants, include:

- Questions over the tax deductibility of premiums paid by the parent company to the captive.

- Problems experienced by captives writing third-party business.

- Questions concerning the availability of reinsurance.

But, the consultants that say captives are a viable mechanism against commercial insurance rate hikes and capacity problems note that a captive:

- Allows the risk manager to control policy terms and conditions.

- Allows the parent company to bypass direct insurers and directly tap the reinsurance market.

- Can help a company develop and control an international insurance program.

Ronald T. Kuehn, a senior vp at Huggins Financial Services, a Philadelphia-based subsidiary of Hay Associates, notes that fewer captives are now being formed than during the tight insurance market of the mid-1970s, even though more and more companies are using risk financing alternatives like self-insurance and cash-flow plans.

"I just don't think we're going in that direction" of forming new captives, Mr. Kuehn says. If anything, he adds, "Our clients have been closing down captives."

Mr. Kuehn says some parent companies are abandoning their captives because of the Internal Revenue Service's challenges to the deductibility of premiums paid to captives that primarily write parent company risks and the losses sustained by some captives that expanded their books to include third-party business.

"A lot of people did try to form a captive and then bring in more than 50% outside business to assure themselves of a tax deduction," he explains.

"I think they found out that the outside business is so bad that any benefit they got from tax deferral was greatly outweighed by the losses they've suffered in the reinsurance market," Mr. Kuehn says.

Richard T. Delaney, a vp with actuarial consultant Towers, Perrin, Forster & Crosby, agrees that questions over the deductibility of premiums paid to captive insurers will halt the growth of single-parent captives.

"It's hard for me to believe there will be any big upsurge in captives," he says.

However, Mr. Delaney does note that various forms of risk financing alternatives, "whether it be a captive, cash-flow plan or self-insurance, will be looked at by companies as they consider whether they should move toward higher risk retentions."

W. Rodney Smith, a principal with Risk Planning Group Inc. in Darien, Conn., a unit of Tillinghast, Nelson & Warren, agrees that single-parent captives have become a less desirable self-funding mechanism because of questions surrounding their tax status.

Glen Pehl, president of Industrial Insurance Management, based in Charlotte, N.C., notes that he has never been sold on captives.

"I guess that's because we don't work with the Fortune-500 companies," he says.

Mr. Pehl says his firm has more than 200 clients and not one has a captive insurance company. "Not because we haven't looked at them, but because when we look at self-insurance and other options, we've found that a better option for our clients," he explains.

However, other risk management consultants say that rising in-

*Continued on page 35*

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• The updated 1985 catalog of conferences, services and educational media products is available from the International Loss Control Institute. The catalog includes announcements of new publications, a special training package and five new conferences. For a free copy, write, CATALOG! The International Loss Control Institute, Highway 78, P.O. Box 345, Lo-

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• Free copies of the International Foundation of Employee Benefit Plans' new edition of "Employee Benefits Information Sources" are available. Subject areas include **Individual Retirement Accounts, age discrimination, deferred compensation and master trusts.** To order, write Information Services, IFEBP, P.O. Box 69, Brookfield, Wis. 53005-0069; 414-786-6700.

• A comprehensive review of **stress-related workers compensation** claims is now available from the National Council on Compensation Insurance. "Emotional Stress in the Workplace" reviews the increase in stress claims, legal reasoning underlying the introduction of stress as a compensable ailment and the various kinds of stress claims. Copies of the booklet are available for \$10 for NCCI members, \$15 for non-members. To order, contact James Nau, products and services manager, NCCI, One Penn Plaza, New York, N.Y. 10119; 212-560-1975.

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• A comprehensive list of leading vendors that provide **risk management information systems** is now available in a recent issue of "Betterley Risk Management Commentary," by D.A. Betterley Risk Consultants Inc. The study reports on changes occurring in vendors and provides a review of new systems. Comments on the market shakeout, changing technology and continued system improvements complete the study. To order a copy of the review, send \$20 to D.A. Betterley Risk Consultants Inc., 446 Main St./Worcester Plaza, Worcester, Mass. 10608; 617-754-1704.

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## Consultants divided over captive growth

Continued from page 32

insurance costs and limited capacity will spur captive growth despite the tax questions.

Michael A. Rodman, vp with J.H. Albert International Insurance Advisors Inc., says he expects continued and even increased use of captives in a tightening market.

Although he notes that parent companies have "the IRS to contend with," he says other factors outweigh any questions about the deductibility of premiums.

"The reasons to have a captive have to do with the ability to control one's own destiny, one's loss reserves, and the ability to secure policy language and coverage that's desirable," Mr. Rodman explains.

William T. Torpey, an assistant vp with American Risk Management Inc. of Fort Lee, N.J., a member of The Reiss Organization, says more and more of his clients are looking into the formation of captives that primarily write property insurance.

Mr. Torpey maintains that recent rate hikes have had a significant effect on primary property insurance rates, while primary liability rates have been less affected by rate hikes than rates for excess liability layers.

Therefore, he explains, companies are now more interested in funding primary property risks through a captive to escape rate hikes than using the captive to insure their primary liability risks.

However, he adds, he does not think parent companies have been dissuaded from forming captives to insure casualty risks.

According to Mr. Torpey, all Fortune 500 companies have already considered forming a captive, and "if they don't have one, there's a reason." But he notes the tightening market has prompted some to reconsider the idea.

"It doesn't mean everybody will jump into it, but it will fit a good number of them, I think."

Captives may also appeal to companies with multinational exposures, says Luther T. Griffith, chief executive officers of Anisties Inc., a unit of New York-based Alexander & Alexander Services Inc.

"As the liability laws continue to grow internationally, and risk managers start to have more influence internationally, an international captive can make a lot of sense," he says.

Many risk management consultants also point out that by funding all international risks through a corporate captive, the parent company risk manager can gain control over the insurance programs of all of the company's international operations, something that many risk managers now lack.

Although risk management consultants are divided over whether single-parent captives will flourish with the tightening property/casualty market, most agree that the number of association or group captives will grow.

"I would venture to say that if the hard market lasts, you'll see the emergence of any number of multiowner captives, either trade association-

based or clients of a particular broker," says RPG's Mr. Smith.

Donald R. Cook, a senior vp with Ebasco Risk Management Consultants Inc. of New York, says interest in association and group captives is growing.

However, he warns that groups planning to form captives must structure their programs to attract reinsurance support.

"You have to have enough like-units and set the retention high enough so it won't bankrupt your own company but still make it attractive to reinsurers," Mr. Cook contends. "It's a delicate balance, and that's why you need to do a feasibility study and examine the loss history and exposures." ■

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# Consultants questioned about Bhopal disaster

By ROBERT A. FINLAYSON

"What if it had been my company's plant?"

That's the question on the minds of many risk managers as U.S. and Indian courts begin unscrambling the questions surrounding the liabilities from the deadly gas leak from the Union Carbide Corp. pesticide manufacturing plant in Bhopal, India.

Although it is far from clear just what Union Carbide's ultimate liability will be to the survivors of the 2,500 people killed and to the as many as 150,000 injured in the Dec. 3 accident, there is wide agreement the potential liability is astronomical.

And that has prompted U.S.-based multinational corporations to

seek out the assistance of risk management consultants when designing insurance programs to cover foreign exposures, like Union Carbide's.

George M. Betterley, managing principal of Newton, Mass.-based Betterley Consulting Group, a division of actuarial consultant Tillinghast, Nelson & Warren, says his firm has received numerous queries from risk managers at corporations wanting to know if they have adequate insurance against a significant disaster.

"Within the chemical industry, the Bhopal incident has really created a concern," he says.

He notes it is important that companies assess the probability of a significant loss like the gas leak at the Bhopal plant.

They also must assess whether lawsuits stemming from an overseas disaster would be tried overseas or in the United States.

"In India, the value of a life, according to social and legal and other standards, is far less than it would be in the U.S.," Mr. Betterley explains, referring to the Union Carbide disaster.

"In other words, rather than using standards of the value of life and damages awarded outside the U.S., I think Bhopal is going to cause more people to say: 'We can have an exposure out there, but let's evaluate it in terms of if it is tried in the U.S. courts,'" he adds.

Insurers and reinsurers also have been giving more thought to the potential for significant disasters in light of the Union Carbide incident,

the consultants say.

Bruce S. McCallum, executive vp for Chicago-based Corporate Policyholders Counsel Inc., says the impact of Bhopal has been "devastating to the insurance marketplace."

"Who realistically would ever have anticipated a loss of that magnitude, even at a chemical facility?" Mr. McCallum asks.

Such accidents will continue to reduce the amount of available liability coverage, he says, adding that he blames the Bhopal accident in part for the lack of capacity in the environmental impairment liability market.

Some companies also are looking at other types of insurance coverage they may need to protect them in case of a major disaster.

For instance, The Wyatt Co. re-

cently received a request from "one large corporation asking us to look at their total liability picture and the degree of protection for the company and for the directors and officers of the company should something like Bhopal happen to them," says Warren G. Brockmeier, vp of risk management services for Wyatt in Chicago.

Mr. Brockmeier explains that while many companies are considering increasing self-insured retentions and reducing policy limits, "incidents like the Union Carbide situation in India are working against anybody considering lowering their umbrella limits voluntarily."

However, there has been a contraction of the market for catastrophe coverage. "A lot of people are interested in whether we think they can live with \$200 million or so of umbrella limits as opposed to the \$350 million they may have had a year ago," Mr. Brockmeier adds.

Luther T. Griffith, chief executive officer for New York-based Anistics Inc., a unit of Alexander & Alexander Services Inc., says the Bhopal incident has focused senior executives' attention on their companies' coverage.

"How are we protected? What are our risks? I've got to believe that a lot of risk managers were asked these kinds of questions after the incident," Mr. Griffith says.

Richard T. Delaney, a vp with actuarial consultant Towers, Perrin, Forster & Crosby, says he believes that many companies will want to examine their international exposures in light of the Bhopal accident. As a result, he expects an increase in consulting activity from corporate officials seeking an outside view of how their companies identify potential exposures.

"I think that's a natural outgrowth of an accident like Bhopal," he says.



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# Merger of consultant organizations lauded

By JUDY GREENWALD

More than a decade after differences in philosophy split risk management consultants into two professional organizations, the two groups are one again.

On Jan. 1, the Institute of Risk Management Consultants and the Insurance Consultants Society merged to become the Society of Risk Management Consultants. The 80 current members of IRMC and 40 members of ICS automatically were granted membership in the new organization, and new members are being sought.

The merger, which was in the works for about two years, was a natural step, say members of both predecessor organizations.

It was foolish to keep the "brain

power" of the two groups separate, says Mary Lou Kirk, a vp in the Insurance & Financial Consultants Inc.'s Cleveland office and a former ICS president.

Having two organizations within such a relatively small field "is just not good," says Bernard J. McGovern, president of Baltimore-based Insurance Buyers' Council and a former IRMC member.

The ICS was created in 1965, but in 1972 some ICS members broke away to form IRMC. These ICS members believed it was unethical for consultants to be paid by insurers or brokers to do risk management consulting for their policyholders and clients or to be hired by an insurer or broker for other services, observers explained.

The founders of IRMC feared

that if a consultant received fees from an insurer or broker, it would be difficult for the consultant to be objective if it ever had to review the services of that insurer or broker for a risk management consulting client.

When it became clear that ICS members were not doing work for brokers or insurers anyway, the debate became a non-issue and the way became clear for the merger, consultants said.

But, other consultants say the heart of the dispute was never philosophical at all. "It really was a personality clash—more like a power struggle" among members of the ICS, Ms. Kirk said.

Regardless of the reason for the split, the new Society of Risk Management Consultants is attacking

the ethics issue head-on. Although its board of directors has not yet officially adopted bylaws, it has developed and adopted a four-page code of ethics.

The code, based on the codes of ICS and IRMC, states the purpose of the new society is to assure the public that its members possess the "ethical standards, professional competence and independence required for society membership."

A key section of the code touches on the old conflict-of-interest issue, and is sparking some controversy again. It states in part: "No member of this society shall undertake any business relationship with any insurance agent, broker, insurer or provider of risk management services which shall in any way impair the objectivity of that member."

However, Robert W. Lazarus of consultant Robert W. Lazarus & Associates Inc. in Plano, Texas, says the section is not sufficiently explicit, and he is circulating a memo on the issue to all members.

"My problem with the wording is there's no clear definition as to what the parameters are," says Mr. Lazarus, who was a member of IRMC. Mr. Lazarus, who acknowledges he is part of a "small minority" that is still concerned about the code of ethics, says he plans to discuss the issue when the SRMC meets in Chicago on May 2-4.

Meanwhile, other members of the SRMC defend the new ethics code. "It becomes a philosophical question," says Charles T. Tagman Jr., president of SRMC and a vp and principal at Tillinghast, Nelson & Warren Inc. in Newton, Mass.

"I don't personally think that an association or a society can 'guarantee' that any members thereof will abide by any specific code of ethics." Other organizations, such as the American Medical Assn., also use general, not specific, terms in their codes of ethics, he adds.

"I think it's the best compromise we could come up with," says David Warren, a former IRMC president who operates his own firm in Orinda, Calif.

Other sections of the code cover competence and technical standards, responsibilities to clients and fees and commissions.

The section on fees states members cannot accept commissions or fees in exchange "for a referral of products or services of others." And, a section on contingent fees says "professional services shall not be offered or rendered where the fee is contingent upon the findings of results."

Allan P. Waters, chairman of Waters Risk Management and co-chairman of SRMC's membership committee, says this clause bars a member from basing his or her fees on a percentage of the money the client saves because of the consultants' recommendations.

He says the SRMC did not want consultants to be tempted to cut critical insurance coverage to boost the amount of money the consultant could "save" the client.

SRMC members must have at least five years of acceptable public practice as a risk management consultant, including two years of major responsibility for consulting assignments. Three of the five years—including the two years with major responsibility—must have immediately preceded the membership application.

With the board's approval, two years of risk management consulting experience can be replaced by two years of experience as a risk manager or five years' experience in a related field, like a state insurance department or brokerage. But, during the three years immediately preceding the application, the applicant must have been a consultant.

These requirements exclude professors who do risk management consulting on the side and consultants who are between jobs or not dedicated to the profession.

Members also must have a bachelor's degree, unless the board makes an exception.

These essentially were qualifications for membership in IRMC, Mr. Tagman notes. The ICS required three years of consulting experience, without any provisions for substitution, he says.

The SRMC also will accept associate members, who must have at least two years of acceptable public practice, including major responsibility and client contact in consulting assignments during the year preceding the application. ■

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# An Interview with Professor Irwin Corey About the Future of the Insurance Market

Many people have been making statements and predictions about the insurance industry. To clarify matters, we sent a reporter to interview Professor Irwin Corey, the World's Foremost Authority.



**Q. Professor, we have been in the longest, most severe down cycle in insurance history. Can you pinpoint the cause?**

**A.** Certainly. The influence of television.

**Q. Could you explain that?**

**A.** It should be elucidatingly obvious. You don't need to be a supernumerary in the industry to see there would have been underwriting losses even if everyone were sane. But a lot of insurance companies became befuddled by the tube. They ran around acting as if they were contestants on "Let's Make a Deal."

**Q. Some industry leaders have been speaking about a "return to underwriting integrity." Is this possible?**

**A.** These interminably astute speakers are ineffably the experts in this area. Because some of the ones speaking the loudest are the ones who were the first to leave integrity in the dust. Some wandered off pretty far. But if they left a trail of breadcrumbs, maybe they can find their way back.



**Q. Did everybody follow that trend?**

**A.** No. There were some companies—Midland was one—who continued to fulfill their function as specialists. Who continued to serve the market with unmitigated expertise even in the face of cutthroat competition from companies who didn't know their rates from their elbow. These specialists were rewarded.

**Q. How?**

**A.** The way integrity usually is. Quintessentially speaking, they took their lumps. But as the market gets tighter, a lot of long lost "friends" will phantasmagorically remember Midland's phone number again.

**Q. But won't competition be just as tough?**

**A.** Querulously enough, many of the soft market "dealers" really don't know how to be underwriters in a tight market. They only learned how to turn capacity on or turn it off. So some of their former customers are going to be antepenultimately scrambling for help.



**Q. How can you be certain the market will get tighter?**

**A.** Even the most caustic perusal of the Futility Index should make that instamatically evident.

**Q. I never heard of the Futility Index. What is it?**

**A.** When Midland came out with Futility II,® the special 25th Anniversary edition of the classic "game of buying and selling insurance" a few months ago, the price was, to my mind as it were, cheap. But now Midland is thinking of raising the price. This is a certain ergonomic indicator that capacity is shrinking.



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## Employee benefits are targets of tax simplification proposals

By JERRY GEISEL

WASHINGTON—Several legislators again will try to convince Congress to pass tax simplification bills that take away some of the tax advantages of employee benefits.

H.R. 800, a bill introduced by Rep. Richard Gephardt, D-Mo., would simplify the federal income tax system by applying flat tax rates of 14%, 25% or 30% to all incomes. Under the bill, 80% of taxpayers would pay the 14% rate.

However, most employee benefits would become taxable income to workers. Under the Gephardt bill, the employers' cost of medical, dental and vision care; group term life insurance; child care; van-pooling; and legal services would be taxable income to the employee.

And, Rep. Jack Kemp, R-N.Y., and Sen. Robert Kasten, R-Wis., have introduced legislation—H.R. 777 and S. 325—to tax employees on employers' costs for legal and van-pooling benefits.

While employees would not be taxed on their group health and life insurance coverage, injured employees would be taxed on their workers compensation benefits.

Similar bills were introduced last year (BI, Sept. 3, 1984).

### Benefit contributions

Employers' contributions for benefits as a percentage of compensation have more than doubled since 1960, according to the Employee Benefit Research Institute.

In 1960, benefit contributions

comprised 7.7% of employee compensation. In 1983, they equaled 16.2% of compensation, according to EBRI.

Of that 16.2%, 9.6% was for voluntary tax-favored benefits, like employer-provided group health and life insurance programs. The remaining 6.6% was for employer contributions for legally required benefits, like Social Security, Medicare and workers comp.

EBRI's figures exclude fully taxable benefits, like vacation.

### PBGC official

Kevin Putt, a former Capitol Hill staffer, has been named assistant executive director at the Pension Benefit Guaranty Corp.

As assistant executive director, a new position, Mr. Putt will play a key role in working with Congress.

He had been legislative director for ex-Rep. Cleve Benedict, R-W.Va., and legislative assistant for Sen. Frank Murkowski, R-Alaska.

### Ethylene oxide limit

The Occupational Safety and Health Administration has decided against establishing a rule to limit worker exposure to ethylene oxide over short periods of time. Ethylene oxide is a colorless gas used as a sterilant for medical equipment.

OSHA said there was no scientific evidence that brief exposures to high

doses of the gas are harmful.

Rather, OSHA said evidence indicates potential health problems like leukemia and reproductive damage are associated with exposure over longer periods of time.

OSHA's current ethylene oxide standard limits exposure to 1 part of the gas per 1 million parts of air averaged over an eight-hour day.

### Stairway falls

Falls on stairs account for about 33,000 disabling workplace injuries a year and for 1.3% of all lost-work-time injuries, according to the U.S. Bureau of Labor Statistics.

The bureau's survey of workplace accidents from December 1981 through April 1982 found that:

- Service workers, including waiters and other food service employees, were more likely to fall on stairs than other workers. Service workers accounted for 14% of those surveyed, but 22% of those injured.

- Eighty percent of surveyed workers who fell lost work time; the average time lost was 18 days.

- Muscle strains or sprains were the most common injuries, sustained by 64% of the injured workers; 38% suffered bruises or contusions, and 20% sustained fractures.

Free copies of "Injuries Resulting from Falls on Stairs" are available from OSHA, Office of Information and Consumer Affairs, Room N-3637, Washington, D.C. 20210. ■

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## Chevron, Gulf workers to retire early

Approximately 2,000 salaried employees of Chevron Corp. and Gulf Corp. are planning to retire early, with a bonus of up to one year's salary.

Under the plan, offered late last year to 8,000 Chevron and 4,000 Gulf employees, employees receive two weeks' pay for each year of service, up to a maximum of one year's salary, in exchange for early retirement with full retirement benefits.

Chevron and Gulf will complete their pending merger in late March subject to approval of the Federal Trade Commission.

The early retirement offer is part of an effort to trim the companies' combined workforce. Each company currently employs about 40,000 people.

Employees who accepted the offer will retire at the company's discretion, but a Chevron spokesman said most will be asked to leave by July 1.

The offer was made Nov. 28 to employees with vested pensions. Gulf employees are vested after 10 years of service; Chevron employees are vested after 15 years.

Eligible employees had 30 days to accept the offer, the spokesman said. Of the 2,000 who responded, approximately 1,100 were Chevron employees and approximately 900 were Gulf employees.

### Ford offers PPO

Active and retired salaried Ford Motor Co. employees in southeast Michigan now have the option to receive health care through a preferred provider organization.

Between Jan. 7 and Jan. 25, the 38,000 eligible employees and 17,700 eligible retirees could enroll in SelectCare, a PPO network of physicians and hospitals in southeast Michigan. These employees and retirees comprise about 70% of the automaker's U.S. total, said Jack Shelton, manager of Ford's employee insurance department.

The PPO, offered jointly by John Hancock Mutual Life Insurance Co. and a group of doctors and hospitals, will provide full medical services, including dermatology and vision care, for enrolled employees. Mr. Shelton said the PPO includes more than 900 physicians and six hospitals, and it plans to add 100 more physicians and four more hospitals "within the next few months."

The PPO provides first-dollar coverage for virtually all health needs for enrolled employees. Employees are required to pay some nominal charges, such as a \$5 deductible per office visit and a small deductible for outpatient psychiatric care, Mr. Shelton said.

But, if a PPO-enrolled employee receives care from a non-PPO provider, the employee must meet an annual deductible of \$200 per individual or \$250 per family deductible and pay 20% of the charges exceeding the deductible, up to a \$1,000 out-of-pocket maximum.

Ford employees and retirees in southeast Michigan also can opt for a traditional comprehensive medical plan or one of five health maintenance organizations.

### Plan termination

PORTEC Inc. in Oak Brook, Ill., plans to generate \$7.5 million by terminating its defined benefit pension plan and replacing it with an identical plan.

The current plan has \$15 million in assets and is overfunded by \$7.5 million, according to Albeon Anderson, vp and counsel of employee relations for the manufacturing company.

The surplus is "primarily as a result of success in investment management," according to a letter sent

### benefit beat

to employees. Mr. Anderson said the money generated by the termination will be used for "general business purposes."

The plan covers approximately 500 active employees and 200 retirees and employees separated from service with deferred benefits. Mr. Anderson said. The company plans to purchase an annuity for accrued benefits and to establish a new pension plan identical to

the current plan, he added.

PORTEC filed for the plan termination with the Pension Benefit Guaranty Corp. on Dec. 21, 1984, Mr. Anderson said, and is awaiting approval.

*We'd like to know if you've made any benefit changes. Write Diane Kastiel, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; 312-649-5393.*

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With annual sales of \$2 billion and record-setting earnings for the last nine years, growing at 18 percent per annum, the company is a leader in three significant areas: High-Technology Propulsion Systems, Specialty Chemicals and Salt.

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# FIGHTING THE MYTHS

## Society sets record straight on independent consultants

By Charles T. Tagman Jr.

ONCE UPON A time, when you were in school, you may have encountered the subject of mythology—fanciful and often elaborate stories about make-believe creatures and demons and gods and goddesses with a complete array of suspect motivations and magical powers.

While interesting to read about, myths were only distantly connected to reality.

A whole body of equally fanciful mythology is found today concerning the independent risk management consultant—a species of adviser who is all-too-often seen in a fictitious light.

Although not accused of hurling thunderbolts, this particular breed of consultant, working in a highly specialized field, has been accused of raising clouds of smoke without benefit of fire. Under such circumstances, as you can imagine, the work being done is not being viewed and valued as clearly as it should.

The Society of Risk Management Consultants, newly formed from the merger of the Insurance Consultants Society (ICS) and the Institute of Risk Management Consultants (IRMS), is pledged through its members to set the record straight.

Our purpose is to clarify the role of risk management consulting as practiced by independent consultants who have no relationship with any insurance organization.

Therefore, to those of you responsible for managing your company's exposure to risk, we offer this list of some of the more popular misconceptions about our profession:

### Myth No. 1

The consultant is the natural enemy of the insurance broker or agent because:

- There is duplication of effort.
- Favoritism is practiced.
- Displacement of an incumbent broker always is sought.
- Competition is unnecessarily created for the broker.
- Unreasonable performance is demanded.

There may, in fact, be some duplication of effort in the evaluation of exposures and the assessment of available alternatives to treat risk. The "value added" by the consultant is the objective analysis of options without economic interest in any of the solutions.

As to favoritism, a consultant would not last very long if the same brokerage and insurance sources were always introduced to new clients.

If anything, incumbent brokers are relied upon by consultants as a valuable source of background information about the client's risk and insurance experience. Direct contact with the broker by the consultant should be encouraged. It is in the client's best interest for the broker and consultant to work together in the evaluation of options and the implementation of changes.

This should not create the need for competition unless overall circumstances relating to cost, coverage or service dictate that competition is warranted. If so, the involvement of a consultant should assure that the competitive process is fair and the evaluation of proposals is being done by a trained specialist who does



Illustration: Roger Schillerstrom

not demand unreasonable performance.

Together, the consultant and agent/broker form a team or partnership of considerable value to the client in reviewing his situation. A final program of action, as a result of this team effort, will treat the real problem or opportunity at hand and not some "make-believe" version of it.

While not associated with any insurance companies, we do understand the importance of continuing relationships based on service and sound coverage. The consultant who would tamper with that is on the way out of business.

### Myth No. 2

Potential clients, when in doubt about retaining the services of an independent risk management consultant, believe:

- The consultant will not understand my business.
- Consultants are not cost effective.
- Only Fortune 500 companies use them.
- Change would be recommended for the sake of change.
- Bosses (of the risk manager) would be played up to and the manager's position downgraded.

The role of the consultant is to understand risk management in the broadest context. In that capacity, the consultant is able to adapt to any specific company or market situation.

A consultant's services cannot be measured in typical terms of a dollar being spent to save two dollars in cost. The value of the services must be assessed against a lower risk profile and the peace of mind that an objective review can provide.

The expertise of the risk management consultant, while certainly in demand by Fortune 500 companies, often can be even more valuable to mid-size and smaller companies. The latter may be in emerging fields or on significant growth tracks—a time, certainly, when risk exposure can be at its greatest.

Recommending change for the sake of change and wooing senior management are two basic charges leveled against consultants in general. Those who practice in this manner are exceptions, however.

Professionalism prevails among too many well-served clients for it not to be so.

### Myth No. 3

Insurers may cast suspicious glances at independent consultants not associated with any insurance company and, therefore, suggest that:

- These independents are anti-insurance.
- Such practitioners do not understand the insurance marketplace and buy on price alone to justify their existence.
- Standards will be recommended that are too stringent for markets to qualify.
- They always aim to reduce a client's insurance premiums or, to the contrary...
- They charge fees based on a percentage of premiums supervised.

Many in the field have come from the insurance industry, where they were employed for many years, and have extensive knowledge of insurance applications. They fully realize that price is only one element of a purchase recommendation.

A risk management consultant probably could function without insurance, but it is certainly a significant aspect of any risk management program.

Standards recommended by the consultant must be realistic and attainable. If not, the consultant will develop a "pie-in-the-sky" reputation, which will not be of value to the consultant or the client.

Consultants do not zero in on a client's premium levels. First of all, they charge by the hour only, and secondly, they understand that higher premiums may be necessary to build a strong program.

Risk management is an enormously specialized field that requires considerable experience on the part of those who engage in it. The newly-founded Society of Risk Management Consultants is committed to gaining a better understanding of the professional endeavors of its members and fellow practitioners.

We believe that our role is a beneficial one, not only for the risk management community, but for all businesses through the alliance of our mutual skills and goals.



Charles T. Tagman Jr. is president of the Society of Risk Management Consultants and a vp and principal at Tillinghast, Nelson & Warren Inc. in Newton, Mass.

# Successful system is sum of its parts

By Tracey A. Carragher

**D**EVELOPING A computerized risk management information system requires risk management experience combined with data processing know-how. That may sound intimidating at first. But, it doesn't have to be.

Knowing the right questions to ask and the resources that are available and doing a little homework are all that's needed to undertake a successful RMIS project.

A good place to start the planning process is with the following:

$$\text{RMIS} = \text{hardware} + \text{software} + \text{PEOPLE}$$

Obviously, this formula isn't intended to serve any quantitative function. Its usefulness lies in the fact that it identifies the three major elements of any risk management information system—and it underscores the greater relative importance of the human element.

People are the key variable in the RMIS equation because they are the most difficult to control. In addition to convincing potential skeptics of the system's worth, for example, cooperation must be maintained across a wide range of support personnel.

One of the most critical decisions in putting together an effective working team involves knowing whom to rely on for technical support. In-house data processing departments are one source, as are insurance companies, brokers and independent consultants.

One way to approach the selection process is with a general review of internal vs. external suppliers. The pros and cons of each should be considered in light of various factors, such as cost and timing.

Internal data processing costs may or may not be charged back to the risk management department, depending on accounting procedures. But, regardless of how costs are allocated, the resources (man-hours, computer time, etc.) devoted to RMIS development still affect the company's operating costs and, ultimately, its bottom line.

Initial expenses may appear to be higher for outside people. But, because of their familiarity with risk management systems, they may be able to handle the job more economically over the long term.

When looking at internal resources, it's also essential to consider the data processing department's overall workload. If the RMIS project is competing with other priorities, it might take too long for the system to be developed.

Outside vendors usually can provide a RMIS within 90 days, depending on complexity. And, many will provide flexible services, such as 24-hour availability, once the system is in operation.

If you're leaning toward external support, consider how outsiders will fit in with your organization and the rest of the project team. Ask yourself if they share

## Risk management information system requires balance of people, technology

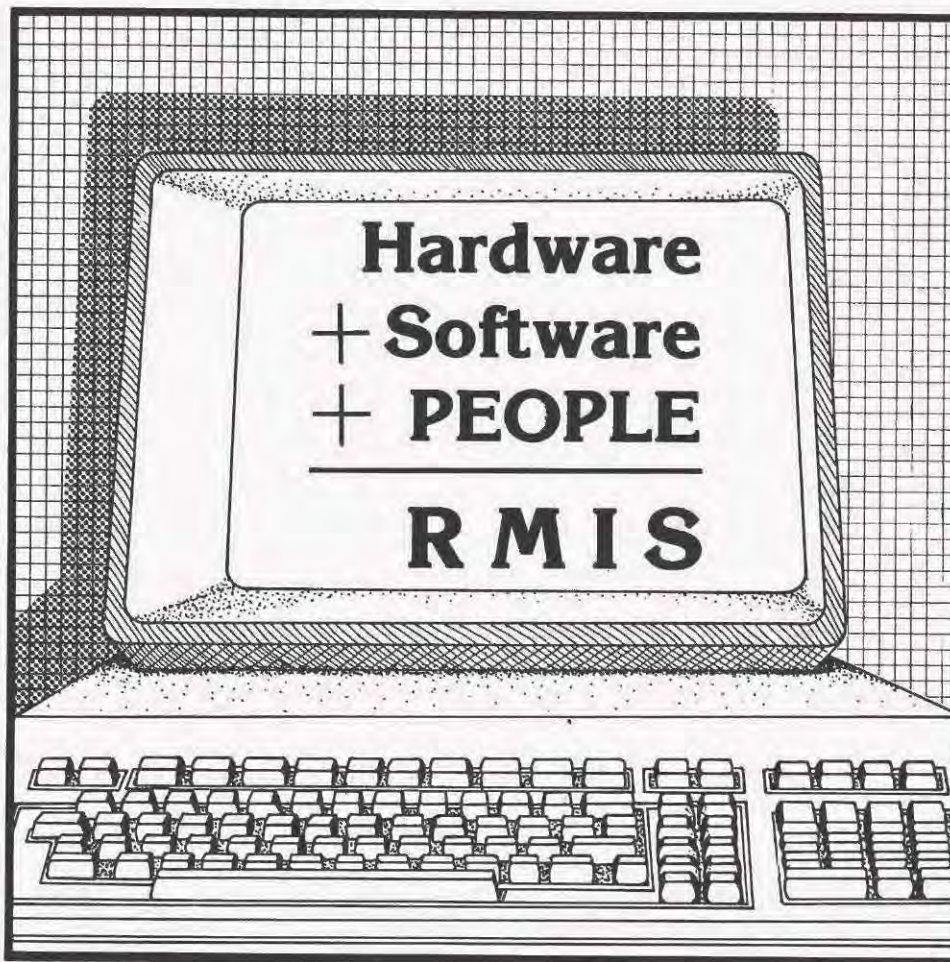


Illustration: Amy Palmer

the same corporate philosophy and goals. And what about supplier personnel? Will one or several people be assigned permanently to your project? If so, what is the likelihood of turnover before it is complete?

Once the technical experts have been selected, it's important to get others actively involved. Risk management staff should play a key role, but other departments should be included. Senior management, plant personnel, the safety department, accounting and administration all can offer their specific expertise in designing the system.

Even those who are not actively involved in the project should be kept informed. Let people throughout the organization know what's happening, why it's happening and how it's happening. That way, they'll have reasonable expectations. And, it is hoped, any changes that the new system brings about will be met with minimal resistance.

As part of this ongoing communications process, it's also necessary to obtain feedback—especially from those who ultimately will be using the system. One approach is to establish an official "needs" committee to identify required output from the information system.

All too often a RMIS produces useless reports because end-user needs were not thoroughly considered early on. And, once a system is operational, it's difficult and costly to change.

Remember that the purpose of any management information system—whether it's used for payroll processing, sales forecasting or risk management—is to convert raw data into meaningful information. That information, in turn, is used to facilitate management decision-making.

In the case of risk management systems, the applications include:

- Recording and reporting of claims. Since it's necessary to compile complete and accessible claims information before other applications can be carried out, this is a vital part of any RMIS.
- Safety and loss control. Information alerts you to existing hazards and pinpoints problem areas. By acting on the information, the cost of risk can be reduced.
- Cost of risk allocation, which allocates the costs of risk to individual divisions or locations in a company. Allocations generally use historical loss experience and/or exposure to distribute the costs back to each unit.
- Forecasting, which provides information about expected losses. This normally is accomplished by examining past losses—adjusted for development and inflation—and relating them to a measure of exposure. Future losses are projected through mathematical techniques such as weighted averages and regression.
- Financial analysis, which evaluates retention levels and determines the most effective way to fund for future losses. Among the alternatives are guaranteed cost, self-insurance, retrospectively rated programs and captives.

How to get this information from the large amounts of data inherent in any organization brings us back to the first two elements of the RMIS equation: namely, hardware and software.

Although you do not need to be a data

processing expert to manage a RMIS project, a basic understanding of how the two work is useful. Essentially, data are gathered, entered into the system—where they are processed—and returned as printed reports, graphics on a visual display or any number of other possible forms of output.

All the physical machinery involved in the process is considered hardware. Hardware varies in size, speed of operation, operations it can perform and the amount of information it can store and process.

Requirements vary from system to system. A company with only 100 claims per year will not have the same requirements as an organization with 10,000. And, a system used only for tracking claims will differ considerably from one designed to carry out complex forecasting and risk analysis.

In the first case, a personal computer alone may be sufficient, particularly if the claims base is fairly small and processing speed is not a top priority.

Performing complex tasks and storing significant amounts of data, on the other hand, probably will require a large, mainframe computer, along with a means for communicating with it. The latter can be accomplished through various equipment, including CRT or video display terminals, personal computers, printers, plotters and communications links.

Once the system's tasks and hardware requirements have been identified, the software necessary to accomplish those tasks can be chosen. Software or "programs" are the instructions that tell a computer what to do. There are several types available:

- Special purpose. This type of software is written specifically for you in a structured computer language, such as FORTRAN or COBOL. It is the most expensive type of software, requires advance analysis of your needs and can be difficult and costly to change. On the other hand, it usually is very efficient.
- Off-the-shelf. This is standard software written to perform generic tasks. Advantages include low cost and immediate availability. One disadvantage is that it may not fit your needs exactly. Some examples of off-the-shelf software are game and educational programs for personal computers.
- Flexible. This type of software has general purpose capabilities that can be tailored to specific needs. An example would be a program to generate formatted reports that allows you to determine exactly which information you want to appear. A flexible claims system, for example, might include a listing of back injuries sorted by plant, claimant name, claim status and total loss incurred.

With the selection or development of the appropriate software, the RMIS formula is complete. Providing that all the elements of the equation have been adequately planned and thoroughly analyzed, the sum of the parts should equal a successful Risk Management Information System.

For today's risk management professional, that translates into greater flexibility, significantly streamlined operations and direct bottom-line benefits.



Tracey A. Carragher is a vp of Alexander & Alexander Inc. in Greenwich, Conn.



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**CIGNA**

# New programs reward 'key contributors'

By Kenneth P. Shapiro

THE WAY THAT U.S. business and industry reward their employees is changing—particularly on the technical and professional level.

Traditionally, these non-management types have been excluded from standard bonus/incentive arrangements, depending instead on their annual raise or a promotion as reward for outstanding service. But this has led to problems.

First, the annual raise has not been able to really distinguish among the below-average, average and well-above-average performer. While the average merit increase in 1985 will be in the 6% to 7% range, top performers probably will average in the 9% range—hardly



Kenneth P. Shapiro is president of Hay Huggins Co. Inc. in Philadelphia. His column on management appears regularly in *Business Insurance*.

## management

a real distinction in aftertax dollars—though arguably important as a symbol of recognition.

Second, the promotion is not always available—even to the deserving top performers. And with the baby-boomers crowding the \$25,000 to \$50,000 job ranks, the promotion may become an even less likely alternative.

More importantly, these people usually are valuable in their current position; pushing them up the ladder might actually be deleterious both to them and to the company.

So, to address this problem, many organizations are turning to so-called "key contributor" arrangements. For instance:

- A giant electronics company, seeing its profits dropping, its innovation stalling, and its top engineers leaving for other opportunities, began a special key contributor program. This program included special programs for more important strategic projects.
- A large chemical company gathered key contributors in a special unit to commercialize technology that

previously had been neglected and set up a special reward program for these people.

- A small microelectronics company moved its incentive program down through key non-management jobs to spur innovation and reward performance during a period of critical new product design.

The aims here are threefold: first, to promote an environment that encourages innovation and high performance; second, to plan ahead for rewards rather than relying on after-the-fact recognition; and third, to retain and motivate those people who are critical to the organization's success.

Perhaps the most frequent use of these key contributor plans is in the high technology area, where technical professionals are both valued and scarce. In a recent survey of 64 of these companies, some 68% had instituted a key contributor program.

What will we begin to see in the coming years? Look for more organizations to build key contributor programs into their pay systems—not just high-tech companies or technical positions.

A key contributor is not defined by a particular job, but rather by how vital that job—and his or her performance in that job—is to the company. ■

# Book gives valuable tips on health care costs

"Health Care Cost Management: Private Sector Initiatives"

By Peter D. Fox, Willis B. Goldbeck and Jacob J. Spies

Health Administration Press, The University of Michigan, 1021 E. Huron St., Ann Arbor, Mich. 48109  
216 pages, \$22.50

By Merrill C. Horine

"HEALTH CARE MANAGEMENT: Private Sector Initiatives," a new book co-authored by Peter D. Fox, Willis B. Goldbeck and Jacob J. Spies, is an indispensable source book for all those concerned with containing medical care costs.

In about 200 pages, the authors review all of the major activities being undertaken by the private sector in areas such as plan design, health maintenance organizations, coalitions and wellness programs. They cite specific activities by corporations, HMOs, insurers and other segments of the health-care spectrum. They provide results where available, and educated guesses where not.

The book may be read through to gain a broad picture of the actions being taken in all of the major areas of cost containment. There is such a wealth of information presented that one can't fail to find specific items applicable to one's own situation. The contents are well-organized, starting with the familiar plan design, continuing with alternate delivery systems, utilization review and coalitions, the new activities in wellness programs, in-house medical services and the changing role of hospital trustees, and culminating with a very comprehensive discussion, with examples, of how to develop your own cost-containment strategy.

Each chapter describes what is being done now, why it is being done and by whom, what results have been achieved or are anticipated, and what may be expected.

For example, in the section on alternate delivery systems, the authors describe, in a few paragraphs, the characteristics of HMOs, their financial structure and reimbursement methods. They cite examples, clearly and concisely.

They then describe preferred provider organizations in general, how and where they originated and the various types of sponsors who are in the field. From the viewpoint



Merrill C. Horine is director of benefits for Hershey Foods Corp. in Hershey, Pa.

## books & ideas

of the purchaser, they detail the positive and negative aspects of each system, including the issues of anti-selection, lack of specific cost-saving data, financial stability and quality of care.

After detailing the spurt in the growth of HMOs, they predict several important changes in sponsorship and operational trends, including the pressure for experience rating and expanded services emanating primarily from corporations, and the increasing move toward hospital acquisition by HMOs. Finally, they provide a blueprint for the design of viable alternate delivery systems.

The chapters on in-house corporate medical programs and efforts of trustees of non-profit hospitals deal with areas that may not be as familiar as plan design and HMOs. However, the authors point out that in some organizations, the company medical department is actively entering into individual case management and treatment, with a significant impact on the quality and quantity of care. Although there are employee prejudices to overcome as well as relations to be established with external providers, the advantages are the potential for controlling utilization, more adequate health risk appraisal, health promotion and establishment of meaningful data bases.

Training programs for hospital trustees have been sponsored by coalitions and universities and are available to interested corporations. The chapter points out how

important to the private sector an objective, aware hospital trustee can be. The authors stress that, whether or not a company actively encourages its employees to serve on hospital boards, trustees should recognize their responsibilities to their companies and their communities as well as to their specific hospitals.

Looking ahead, coalitions will increasingly monitor trustee behavior and exert their influence to ensure that trustees expand their thinking to include concern for cost-effective long-range planning.

The authors provide a section on how to develop a corporate cost-management program, which should be required reading for every benefit manager, medical director and chief executive officer who is concerned with medical costs. I heartily recommend that each reader use the simple strategies in developing a position for his or her own company.

The book's summation is somewhat anticlimactic. It updates the text in areas such as the Internal Revenue Service's position on flexible benefit accounts and the "use it or lose it" rule, and the development of exclusive provider organizations (EPOs) in Sacramento, Calif., and Cleveland.

But, the clear message is that the private sector is committed to managing health care costs and will continue to do so well into the future. This book has pulled it all together in a well-organized, well-presented manner that provides the tools to develop your own long-range health care cost-containment plan with appurtenant strategies. ■

# Mental injury not compensable: Kansas court

## legal briefs

Absent some physical injury, purely mental disability or injuries sustained by an employee, though arising by accident and out of and in the course of employment, are not compensable injuries, the Supreme Court of Kansas ruled.

Tracy Followill worked for Emerson Electric Co. He was at work when a friend and co-worker was killed after the man's head was crushed in a die-cast press. Although Mr. Followill did not see the accident, he arrived at the scene moments later.

Almost immediately, Mr. Followill reacted to the scene by shaking and crying. In the weeks following the accident, he suffered from nightmares, insomnia and loss of appetite.

Although Mr. Followill received psychotherapy and was hospitalized, his condition worsened. Further hospitalization occurred.

Mr. Followill finally returned to work, but he was unable to perform all of his duties. He filed a claim for workers compensation benefits and was found disabled by the trial court.

The appellate court reversed the trial court decision, however, concluding that a disability caused by a post-traumatic stress disorder resulting from an on-the-job accident in which the claimant suffers no physical injury was not a compensable injury.

However, the Supreme Court acknowledged that its decision was contrary to the weight of authority from other states that do allow benefits for mental injury resulting solely from mental stimuli. *Followill vs. Emerson Electric Co.*, Supreme Court of Kansas, Jan. 13, 1984 (BI/02/F.-\$5)

These abstracts were prepared by Cases Unlimited Inc. A copy of an entire decision may be obtained by sending a check for \$5 made out to Cases Unlimited to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. List the number for each opinion.

# Risk management consultants' directory

**A**

**A.J.A. Risk Management Consultants Inc.**

888 Seventh Ave., New York, N.Y. 10106; 212-333-3259

**Year founded:** 1982.

**Independent.**

**Services provided:** 70% continuous consulting; 20% risk management audits; 10% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, quantitative analysis and statistical forecasting; occasional captive feasibility studies insurance contract analysis, assessment of broker service and remuneration, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, designing risk management information systems; providing assistance in reinsurance negotiations.

**Specialty:** Medical malpractice and other professional liability covers.

**Staff:** Four total staff; two professional staff members, including one principal consultant and one analyst. Professional designations held by staff include one ACAS.

**Clients:** Total clients not reported. No minimum size client.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$125.

**1984 gross revenues:** Not reported.

**Principal officers:** Benny Silberstein, president.

**S.B. Ackerman Associates**

605 Third Ave., New York, N.Y. 10158; 212-599-1717

**Year founded:** 1915.

**Independent.**

**Services provided:** 50% continuous consulting; 10% risk management audits; 10% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, assessment of broker service and remuneration, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, designing risk management information systems; occasional captive feasibility studies, loss prevention audits, quantitative analysis and statistical forecasting; 30% other services, including claims administration.

**Specialty:** Builders, hospitals, manufacturers, municipalities, government agencies.

**Staff:** 55 total staff; 27 professional staff members, including 10 principal consultants, 13 consultants, four analysts. Professional designations held by staff include one MBA, one FCAS, one CSP, one MD, one MPH, nine attorneys.

**Clients:** More than 100 total clients; 30% with risk and insurance budgets under \$1 million; 15% \$1 million-\$5 million; 40% \$5 million-\$10 million; 10% \$10 million-\$25 million; 5% exceeding \$25 million. Minimum size client, \$50,000 risk and insurance budget.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$200; junior consultant, \$80; consultant, \$60; clerical, \$35.

**1984 gross revenues:** Not reported.

**Principal officers:** Saul B. Ackerman, Bernard A. Salwen, Joel Glass, Michael H. Barnett and James E. Ehrenfeld, partners.

**Membership:** SRMC.

**Adjustco**

The Talleyrand Building, 220 White Plains Rd., Tarrytown, N.Y. 10591; 914-332-4747

**Year founded:** 1981.

**Parent company:** Frank B. Hall & Co. Inc.

**Services provided:** 2% special projects, including frequent claims auditing, loss settlement assistance, quantitative analysis and statistical forecasting, designing risk management information systems, medical malpractice, systems designs; 98% other services, including claims administration, rehabilitation services.

**Locations:** Locations nationwide.

**Staff:** 1,017 total staff; 660 professional staff members.

**Clients:** 41 total clients; 35% with risk and insurance budgets \$5 million-\$10 million; 45% \$10 million-\$25 million;

20% exceeding \$25 million. No minimum size client.

**Compensation:** By the project; by the hour: principal consultant, \$100; junior consultant, \$75; consultant, \$52; clerical, \$30.

**1984 gross revenues:** \$840,000 generated by risk management consulting, \$42 million total.

**Principal officers:** T.V. Hallett, chairman/president/chief executive officer; L.E. Churnetski, H.J. Smith, W.E. Kuebler, J.M. Cannon and R.E. Heaney, senior vps.

**Advanced Risk Management Services**

P.O. Box 310, Nashville, Tenn. 37202; 615-244-8430

**Year founded:** 1976.

**Parent company:** Corroon & Black Corp.

**Services provided:** 5% continuous consulting; 5% risk management audits; 80% special projects, including frequent

risk retention analysis (including self-insurance studies), captive feasibility studies, quantitative analysis and statistical forecasting, designing risk management information systems, captive strategic planning studies, alternative loss financing program analysis; occasional analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, accounting system analysis, assessment of broker service and remuneration, loss settlement assistance, risk management organization studies, preparation of specifications for bidding; 10% other services, including captive management and third-party claims administration.

**Specialty:** Fortune 1,500-size companies.

**Locations:** Chicago; St. Louis; Washington, D.C.; Albuquerque, N.M.; Boston; San Bernardino, San Diego, Sacramento, San Jose and Stockton, Calif.

**Staff:** 35 total staff; 25 professional staff members, including 10 principal

consultants, 13 consultants, two analysts. Professional designations held by staff include six CPCUs, three ARMs, nine MBAs, one ACAS, one CLU, three PhDs.

**Clients:** 175 total clients; 65% with risk and insurance budgets \$1 million-\$5 million, 25% \$5 million-\$10 million, 5% \$10 million-\$25 million, 5% exceeding \$25 million. Minimum size client, \$1 million risk and insurance budget.

**Compensation:** By the project, by the hour.

**1984 gross revenues:** Not reported.

**Principal officers:** James V. Davis, chairman; Donald K. Heim, president.

**Advanced Risk Management Techniques (ARM Tech)**

25251 Paseo de Alicia, Suite 100, Laguna Hills, Calif. 92653; 714-472-8324

**Year founded:** 1982.

**Independent.**

**Services provided:** 27% continuous consulting; 40% risk management audits; 23% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, assessment of broker service and remuneration, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, governmental agency pooling program studies, actuarial audits of loss reserves; occasional loss-prevention audits, accounting system analysis, loss-settlement assistance, designing risk management information systems; 10% other services, including employee benefit design and funding studies.

**Specialty:** Utilities, health care institutions, government agencies.

**Locations:** Seattle.

**Staff:** 13 total staff; 11 professional

*Continued on following page*

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staff members, including six principal consultants, three consultants, two analysts. Professional designations held by staff include five CPCUs, seven ARMs, three MBAs, one FCAS, one PE, one RN.

**Clients:** 125 total clients; no minimum size client.

**Compensation:** By the project; by the hour: principal consultant, \$110-\$125; consultant, \$75-\$90; analyst, \$50-\$60; clerical, \$18-\$30.

**1984 gross revenues:** \$1 million generated by risk management consulting, \$1.12 million total.

**Principal officers:** Richard R. Huntington, Michael M. Kaddatz, Steven P. Kahn, David M. McCleerey, William S. Mortimer, Oakley E. Van Slyke, partners.

**Membership:** SRMC.

### Aerospace Management Services International Inc.

611 Ryan Plaza Drive, Suite 500, Arlington, Texas 76011; 817-460-5924

**Year founded:** 1973.

**Parent company:** United States

Aviation Underwriters Inc.

**Services provided:** 30% continuous consulting; 10% special projects, including captive feasibility studies, claims auditing, loss prevention audits, risk management organization studies, aviation safety audits, appraisal services, aviation manual preparation; 60% other services, including aviation accident investigation.

**Specialty:** Aviation industry.

**Locations:** Los Angeles; Seattle; Chicago; New York.

**Staff:** 30 total staff; 17 professional staff members, including five principal consultants, 10 consultants. Professional designations held by staff include four MBAs.

**Clients:** Total clients not reported.

**Compensation:** By the project; by the hour: principal consultant, \$100; consultant, \$75; junior consultant, \$65.

**Principal officers:** Joseph R. Bailey, president; David F. Ek and O. Ray Wall, vps.

### J.H. Albert International Insurance Advisors Inc.

161 Highland Ave., Needham, Mass. 02194; 617-449-2866

**Year founded:** 1967.

Independent.

**Services provided:** 90% continuous consulting; 8% risk management audits; 2% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, analysis of broker service and remuneration, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional claims auditing, loss-prevention audits, accounting system analysis, designing risk management information systems; preparation of risk management manuals, reports to boards of directors, creation of manuscript insurance policies.

**Staff:** 20 total staff; 13 professional staff members, including four principal consultants, six consultants, three analysts. Professional designations held by staff include three CPCUs, one ARM, two MBAs.

**Clients:** 250 total clients; 70% with risk and insurance budgets under \$1 million; 20% \$1 million-\$5 million; 5%

\$5 million-\$10 million; 3% \$10 million-\$25 million; 2% exceeding \$25 million. No minimum size client.

**Compensation:** By the hour: principal consultant, \$135; junior consultant, \$70; consultant, \$90; clerical services included.

**1984 gross revenues:** \$1.6 million total.

**Principal officers:** Joseph H. Albert, president; Michael R. Rudman, George W. West and Thomas L. Atkins, vps.

**Membership:** SRMC.

### Aldrich & Cox Inc.

1900 Ridge Road, Buffalo, N.Y. 14224; 716-675-6300

**Year founded:** 1951.

Independent.

**Services provided:** 56% continuous consulting; 7% risk management audits; 7% special projects; 30% other services, including employee benefits consulting.

**Specialty:** Manufacturers, retailers, health care facilities, municipalities.

**Staff:** Fourteen total staff; nine professional staff members, including nine consultants. Professional designations held by staff include four CPCUs, three ARMs, one ACLM, one attorney.

**Clients:** 60 total clients; 95% with risk and insurance budgets less than \$1 million; 5% \$1 million-\$5 million. No minimum size client.

**Compensation:** By the project; on retainer; by the hour: consultant, \$50-\$75.

**1983 gross revenues:** Not reported.

**Principal officers:** Herbert Cox, president; Charles Cox and James B. Hood Jr., vps.

**Membership:** SRMC.

### Allovio Corp.

525 Dunham Road, St. Charles, Ill. 60174; 312-377-7577

**Year founded:** 1970.

Independent.

**Services provided:** 65% continuous consulting; 10% risk management audits; 5% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, assessment of broker service and remuneration, preparation of specifications for bidding; occasional captive feasibility studies, claims auditing, loss prevention audits, loss settlement assistance, risk management organization studies, designing risk management information systems; 20% other services, including claims administration, self-insured workers compensation and health.

**Specialty:** Financial institutions, manufacturing.

**Staff:** Six total staff, including two principal consultants. Professional designations held by staff include two CPCUs, one CSP, one CPA.

**Clients:** 20 total clients; 100% with risk and insurance budgets under \$1 million.

**Compensation:** By the project; by the hour: principal consultant, \$125; clerical, \$35.

**1984 gross revenues:** \$180,000 generated by risk management consulting, \$200,000 total.

**Principal officers:** Joseph M. Allovio, president; Michael J. Buick, vp.

Continued on facing page

## Society of RISK MANAGEMENT CONSULTANTS

A MERGER OF THE INSURANCE CONSULTANTS SOCIETY  
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The purpose of the Society is to foster awareness and understanding of the role of Risk Management Consulting as a highly specialized professional service provided impartially and objectively by independent consultants unaffiliated with any insurance organization.

The Society of Risk Management Consultants cordially invites the membership of qualified individuals.

## Society of RISK MANAGEMENT CONSULTANTS

For information, write or call Ernest A. Holfoth, Secretary, 4947 Lake Shore Road, Hamburg, New York 14075. Telephone: (716) 627-5828.

### How to use the directory

Looking for a risk management consultant that can provide the services you need?

The directory of risk management consultants lists companies performing a variety of services that responded to a questionnaire sent by *Business Insurance*. Consultants do not pay any fee to be listed; however, to be included in this directory, companies must generate at least 50% or \$500,000 of their gross revenues from pure risk management consulting (providing advice on risk management issues on a fee-for-service basis, excluding other activities such as conferences, publications, third-party administration, computer time-sharing fees, consulting for commercial insurers, captive management fees and employee benefits consulting).

For each company, the year founded and the parent company, if any, is listed first. If you are concerned about using consultants affiliated with brokers or insurers, you will want to check here.

Companies were asked to supply information on the services they provide, and these are listed as a percent of gross revenues. Services include:

- Continuous consulting, which is serving as the risk management specialist for clients, providing continuous evaluation of design and management of risk and insurance programs.
- Risk management audits, which are one-time complete reviews of clients' risk and insurance programs.
- Special risk management projects, including specific types of projects and how frequently the company performs them.
- Services other than risk management consulting that the company may provide.

Types of businesses or industries to which the company specializes in consulting are noted, as well as wholly owned locations other than the home office.

Information on staffing, clients and compensation follows; and when reported, 1984 gross revenues generated from risk management consulting, as well as 1984 total gross revenues, are provided.

Paragraphs noting the names and titles of principal officers and membership of at least one staff member in the Society of Risk Management Consultants (SRMC) complete the listings.

The information reported for each company is based on that company's answers to the questionnaire. There are no public documents available to allow *Business Insurance* to verify the information.

Following are the full professional designations for those abbreviated under the staff heading:

**AAI** is Accredited Advisor in Insurance; **ACAS** is Associate of Casualty/Actuarial Society; **ACIA** is Associate, Chartered Institute of Administrators; **AIC** is Associate, Insurance Institute of Canada; **ALCM** is Associate Loss-Control Manager; **ARM** is Associate in Risk Management; **ASA** is Associate, Society of Actuaries; **CET** is Certified Engineering Technician; **CHCM** is Certified Hazard Control Manager; **ChFC** is Chartered Financial Consultant; **CIC** is Certified Insurance Counselor; **CLU** is Certified Life Underwriter; **CMC** is Certified Management Consultant; **CPA** is Certified Public Accountant; **CPCU** is Member, Society of Chartered Property/Casualty Underwriters; **CPIA** is Certified Professional Insurance Agent; **CPP** is Certified Protection Professional; **CSP** is Certified Safety Professional; **DBA** is Doctor of Business Administration; **EA** is Enrolled Actuary; **FCAS** is Fellow, Casualty Actuarial Society; **FCIA** is Fellow, Canadian Institute of Actuaries; **FCII** is Fellow, Chartered Insurance Institute; **FIIC** is Fellow, Insurance Institute of Canada; **FSA** is Fellow, Society of Actuaries; **IIA** is Insurance Institute of America; **MAAA** is Member, Actuarial Assn. of America; **MBA** is Master of Business Administration; **MD** is Medical Doctor; **MPH** is Master of Public Health; **MS** is Master of Science; **PE** is Professional Engineer; **PhD** is Doctor of Philosophy; **RN** is Registered Nurse; **SFPE** is Society of Fire Protection Engineers.

Continued from facing page

**American International Group Risk Management**

70 Pine St., New York, N.Y. 10270; 212-770-7000

**Year founded:** 1974.

**Parent company:** American International Group.

**Services provided:** 73.6% continuous consulting; 4.6% risk management audits; 13.8% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, claims auditing, loss prevention audits, loss settlement assistance, preparation of specifications for bidding, quantitative analysis and statistical forecasting, designing risk management information systems, IBNR loss studies, hospital simulation, feasibility studies for self-insured association programs; occasional insurance contract analysis, accounting system analysis, risk management organization studies, captive mergers and acquisitions; 8% other services.

**Specialty:** Health care, consumer products, manufacturing, transportation.

**Locations:** Atlanta; Los Angeles; Chicago; Houston, Texas; Philadelphia, San Francisco; London.

**Staff:** 100 total staff; 46 professional staff members, including nine principal consultants, 18 consultants, 19 analysts. Professional designations held by staff include five CPCUs, six ARMs, 12 MBAs, two FCASs, two CSPs, two ACASs, two PEs, two attorneys.

**Clients:** 290 total clients; 2% with risk and insurance budgets under \$1 million; 39% \$1 million-\$5 million; 40% \$5 million-\$10 million; 14% \$10 million-\$25 million; 5% exceeding \$25 million. Minimum size client, \$250,000 risk and insurance budget.

**Compensation:** By the project, on retainer.

**1984 gross revenues:** \$29.65 million from risk management consulting, \$32.4 million total.

**Principal officers:** Joseph C. Smetana, president; Frank Neuhauser Jr., Martin Banker, Michael Curio and John Gantz, vps.

**American Risk Services Inc.**

6600 France Ave. S., Minneapolis, Minn. 55435; 612-920-0106

**Year founded:** 1979.  
**Independent.**

**Services provided:** 23% continuous consulting; 50% risk management audits; 20% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional captive feasibility studies, accounting system analysis, assessment of broker service and remuneration, loss-settlement assistance, risk management organization studies, designing risk management information systems, disaster recovery plans; 7% other services, including employee benefit design.

**Specialty:** Medical device manufacturing, professional sports teams, trucking companies, hospitals, nursing homes, oil and gas industries.

**Staff:** Five total staff; four professional staff members, including two principal consultants, two consultants. Professional designations held by staff include one CPCU, one CPP, one PhD.

**Clients:** 47 total clients; 80% with risk and insurance budgets under \$1 million; 12% \$1 million-\$5 million; 3% \$5 million-\$10 million. Minimum size client, \$75,000 risk and insurance budget.

**Compensation:** By the project, on retainer; by the hour: principal consultant, \$100; consultant, \$50; junior consultant, \$75; clerical, \$20.

**1984 gross revenues:** \$200,000 from risk management consulting; more than \$200,000 total.

**Principal officers:** Mark T. Flaten, president; Dwight R. Sjoberg, vp.

**Anistics Inc.**

640 Fifth Ave., New York, N.Y. 10019; 212-541-6050

**Year founded:** 1970.

**Parent company:** Alexander & Alexander Inc.

**Services provided:** 15% continuous consulting; 5% risk management audits; 65% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, quantitative analysis and statisti-

cal forecasting, designing risk management information systems, captive rental arrangements; occasional insurance contract analysis, accounting system analysis, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, reinsurance consulting; 15% other services, including structuring financial transactions for insurance companies.

**Locations:** Atlanta; Chicago; Denver; Los Angeles; Minneapolis; Mountain View, Palo Alto and San Francisco, Calif.

**Staff:** 125 total staff; 86 professional staff members, including 23 principal consultants, 31 consultants, 32 analysts. Professional designations held by staff include six CPCUs, five ARMs, 12 MBAs, six PhDs, one FSA, one CDP, one CPA.

**Clients:** 750 total clients; 15% with risk and insurance budgets less than \$1 million; 35% \$1 million-\$5 million; 35% \$5 million-\$10 million; 10% \$10 million-\$25 million; 5% exceeding \$25 million. No minimum size client.

**Compensation:** By the project, on retainer; by the hour: principal consultant, \$130-\$200; junior consultant, \$50-  
*Continued on following page*

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Correspondents, Lloyd's London



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#### Ken Buhler Associates Inc.

11 Erita Lane, Smithtown, N.Y.  
11787; 516-360-3770

Year founded: 1976.

Independent.

**Services provided:** 50% continuous consulting; 25% risk management audits; 25% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, loss prevention audits, risk management organization studies, preparation of specifications for bidding; occasional insurance contract analysis, loss settlement assistance, designing risk management information systems.

**Staff:** Five total staff; three professional staff members, including one principal consultant, one consultant, one analyst. Professional designations held by staff include one PE.

**Clients:** Total number of clients not reported; 25% with risk and insurance budgets under \$1 million; 25% \$1 million-\$5 million; 25% \$5 million-\$10 million; 25% \$10 million-\$25 million. No minimum size client.

**Compensation:** By the project; on retainer; by the hour.

1984 gross revenues: Not reported.

**Principal officers:** S. Buhler and A. Relkin, vp.

**G**

#### Capell Industrial Risk Management Inc.

P.O. Box 3167, Princeton, N.J.  
08540; 609-896-3017

Year founded: 1978.

Independent.

**Services provided:** 95% continuous consulting involving special projects, which include frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, assessment of broker service and remuneration, loss settlement assistance, preparation of specifications for bidding, contract analysis (other than insurance), special toxic tort studies, retroactive liability studies; occasional captive feasibility studies; loss prevention audits, quantitative analysis and statistical forecasting, designing risk management information systems; 5% other services.

**Specialty:** Chemicals, adhesives and sealants, paint and coatings, plastics.

**Staff:** Three total staff; two professional staff members, including one principal consultant, one analyst.

**Clients:** Total number of clients not reported; 98% with risk and insurance budgets under \$1 million; 2% \$1 million-\$5 million.

**Compensation:** By the project; commissions for insurance placed with underwriters; on retainer.

1984 gross revenues: \$325,000 from risk management consulting, \$350,000 total.

**Principal officers:** James W. Capell, president.

#### Carabillo Consulting Co.

P.O. Box 10009, West Hartford,  
Conn. 06110; 203-236-2095

Year founded: 1980.

Independent.

**Services provided:** 30% continuous consulting; 15% risk management audits; 30% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, assessment of broker service and remuneration, loss settlement assistance; occasional risk retention analysis (including self-insurance studies), captive feasibility studies, accounting system analysis, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, designing risk management information systems; 25% other services, including third-party administration of property, casualty, workers compensation and group claims.

**Specialty:** Municipalities, construction, heavy manufacturing.

**Staff:** Two total staff; one professional staff member who is a principal consultant. Professional designations held by the staff include one ARM, one CIC.

**Clients:** 10 total clients; 80% with risk and insurance budgets under \$1 million; 20% \$1 million-\$5 million. Minimum size client, \$100,000 risk and insurance budget.

**Compensation:** By the project; by the hour; principal consultant, \$60.

1984 gross revenues: Not reported.

**Principal officers:** Vincent J. Carabillo, president/owner.

#### Charlesworth & Associates

P.O. Box 12830, Overland Park,  
Kan. 66212; 913-451-4730

Year founded: 1977.

Independent.

**Services provided:** 30% continuous consulting; 30% risk management audits; 40% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, assessment of broker service and remuneration, preparation of specifications for bidding; occasional risk retention analysis (including self-insurance studies), claims auditing, loss prevention audits, accounting system analysis, loss settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting.

**Specialty:** Hospitals, municipalities, manufacturing, banks.

**Staff:** Two total staff; one professional staff member who is a principal consultant. Professional designations held by staff include one CPCU, one ARM, one CLU.

**Clients:** Total clients not reported; all clients have risk and insurance budgets under \$1 million. No minimum size client.

**Compensation:** By the project; on retainer; by the hour; principal consultant, \$50.

1984 gross revenues: Not reported.

**Principal officers:** Art Charlesworth, owner.

#### Commercial Risk Consultants Inc.

P.O. Box 606, Hampton, Va. 23669;  
804-723-0254

Year founded: 1979.

Independent.

**Services provided:** 50% continuous consulting; 40% risk management audits; 10% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, assessment of broker service and remuneration, loss settlement assistance, risk management organization studies, preparation of specifications for bidding; occasional captive feasibility studies, accounting system analysis, quantitative analysis and statistical forecasting, designing risk management information systems.

**Staff:** Two total staff; one professional staff member who is a principal consultant. Professional designations held by staff include one CPCU, one ARM, one CLU.

**Clients:** Total clients not reported; 80% with risk and insurance budgets under \$1 million; 20% \$1 million-\$5 million.

**Compensation:** By the project; on retainer; by the hour.

1984 gross revenues: Not reported.

**Principal officers:** John W. Newby.

#### Consulting Associates Inc.

4425 Rancolph Road, P.O. Box  
220039, Charlotte, N.C. 28222;  
704-366-4910

Year founded: 1980.

Independent.

**Services provided:** 60% continuous consulting; 15% risk management audits; 10% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, assessment of broker service and remuneration, risk management organization studies, preparation of specifications for bidding, risk and insurance management procedures manuals, loss control programs, environmental liability impact studies; occasional risk retention analysis (including self-insurance studies), captive feasibility studies, claims auditing, loss prevention audits, accounting system analysis, loss settlement assistance, quantitative analysis and statistical forecasting, designing risk management information systems; 15% other services, including employee benefits consulting.

**Specialty:** Power utilities, financial institutions, associations and institutions for higher education.

**Staff:** Five total staff; three professional staff members, including two principal consultants, one consultant. Professional designations held by staff include two CPCUs, one ARM.

**Clients:** More than 35 total clients;

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65% with risk and insurance budgets under \$1 million; 30% \$1 million-\$5 million; 5% \$5-\$10 million. No minimum size client.

**Compensation:** By the project, on retainer, by the hour.

**1984 gross revenues:** Not reported.

**Principal officers:** William B. Brown, president.

**Membership:** SRMC.

**Coopers & Lybrand**

1251 Ave. of the Americas, New York, N.Y. 10020; 212-536-3234

**Year founded:** 1898.

**Independent.**

**Services provided:** 20% continuous consulting; 40% risk management audits; 40% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, assessment of broker service and remuneration, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional claims auditing, loss prevention audits, accounting system analysis, loss settlement assistance, risk management organization studies, designing risk management information systems, benefits compensation consulting, litigation support, medical claims auditing.

**Locations:** Atlanta, Chicago, Los Angeles, San Francisco, Seattle.

**Staff:** 39 total staff; 31 professional staff members, including 14 principal consultants, six consultants, 11 analysts. Professional designations held by staff include one CPCU, five ARMs, four MBAs, 12 FCASs, three ACAs, two ASAs.

**Clients:** Total clients not reported.

**Compensation:** By the project; on retainer; by the hour: senior actuary, \$170-\$225; principal consultant, \$150-\$170; actuarial assistant, \$55-\$150; junior consultant, \$85-\$125; consultant, \$55-\$75; clerical, \$34-\$40.

**1984 gross revenues:** Not reported.

**Principal officers:** James A. Hall II, partner in charge-New York; Charles L. McClenahan, partner-Chicago; Richard E. Sherman, partner-San Francisco; Richard J. Fallquist, director-Seattle; Michael J. Fitzgerald, director-New York; Frederick O. Kist, director-Atlanta; Berne J. Scalisi, director-San Francisco; Oakley VanSlyke, director-Los Angeles.

**Corporate Policyholders Counsel Inc.**

1460 Renaissance Drive, Suite 305, Park Ridge, Ill. 60068; 312-298-1770

**Year founded:** 1898.

**Independent.**

**Services provided:** 65% continuous consulting; 20% risk management audits; 14% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, assessment of broker service and remuneration, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, non-insurance contract analysis, expert witness and counsel to legal profession; occasional claims auditing, loss prevention audits, accounting system analysis, designing risk management information systems; 1% other services, including employee benefits consulting.

**Staff:** 14 total staff; 10 professional staff members, including five principal consultants, three consultants, two analysts. Professional designations held by staff include two CPCUs, one ARM, one MBA, one CLU.

**Clients:** 235 total clients.

**Compensation:** By the project; by the hour: principal consultant, \$150-\$200; junior consultant, \$100-\$150; consultant, \$75-\$100; clerical, \$20-\$30.

**1984 gross revenues:** Not reported.

**Principal officers:** Lawrence B. Mulvaney, chairman; Ronald E. Seaver, president; Bruce S. McCallum, executive vp.

**Corporate Risk Consultants**

24370 Northwestern Highway, Southfield, Mich. 48075; 313-358-1100

**Year founded:** 1976.

**Parent company:** Meadowbrook Insurance Group.

**Services provided:** 45% continuous consulting; 5% risk management audits;

50% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis; occasional claims auditing, loss prevention audits, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting.

**Specialty:** Manufacturers, restaurants, bowling proprietors, auto and truck parts distributors.

**Locations:** Boca Raton, Fla.

**Staff:** Six total staff; four professional staff members. Professional designations held by staff include two CPCUs, one ARM, one MBA, one CLU, one CPA.

**Clients:** Total clients not reported.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$125; junior consultant, \$45; consultant, \$75; clerical, \$25.

**1984 gross revenues:** \$350,000 total, all of which is generated by risk management consulting.

**Principal officers:** Merton J. Segal, president; Robert A. Engle, vp; Larry Kraus and Lee Kelly.

**Corporate Risk Management Inc.**

505 Fenton Place, Charlotte, N.C. 28207; 704-335-0185

**Year founded:** 1978.

**Independent.**

**Services provided:** 56% continuous consulting; 12% risk management audits; 12% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional: captive feasibility studies, claims auditing, loss prevention audits, accounting system analysis, assessment of broker service and remuneration, loss settlement assistance, risk management organization studies, designing risk management information systems; 2% other services.

**Staff:** Four total staff; two professional staff members, including one principal consultant, one consultant. Professional designations held by staff include one CPCU, two ARMs.

**Clients:** 25 total clients; 95% with risk and insurance budgets under \$1 million; 5% \$1 million-\$5 million. No minimum size client.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$75.

**1984 gross revenues:** More than \$200,000 from risk management consulting.

**Principal officers:** William B. Heeney, president.

**Corporate Risk Managers Inc.**

7525 Mitchell Road, Eden Prairie, Minn. 55344; 612-937-8942

**Year founded:** 1974.

**Independent.**

**Services provided:** 95% continuous consulting; 4% risk management audits; 1% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, accounting system analysis, assessment of broker service and remuneration, loss settlement assistance, risk

management organization studies, preparation of specifications for bidding, designing risk management information systems; occasional captive feasibility studies, quantitative analysis and statistical forecasting.

**Locations:** Brookfield, Wis. (D/B/A CRM Risk Managers).

**Staff:** 18 total staff members, including seven principal consultants, three consultants, three analysts.

**Clients:** More than 200 total clients; 96% with risk and insurance budgets under \$1 million; 4% \$1 million-\$5 million. Minimum size client, \$15,000 risk and insurance budget.

**Compensation:** On retainer.

**1984 gross revenues:** \$664,000 total, all of which is generated by risk management consulting.

**Principal officers:** Burdell R. Wesels, president; Fred Moen and Theodore Hood, vps.

**Corporate Risk Services**

5990 N. Washington St., Denver, Colo. 80216; 303-296-3443

**Year founded:** 1980.

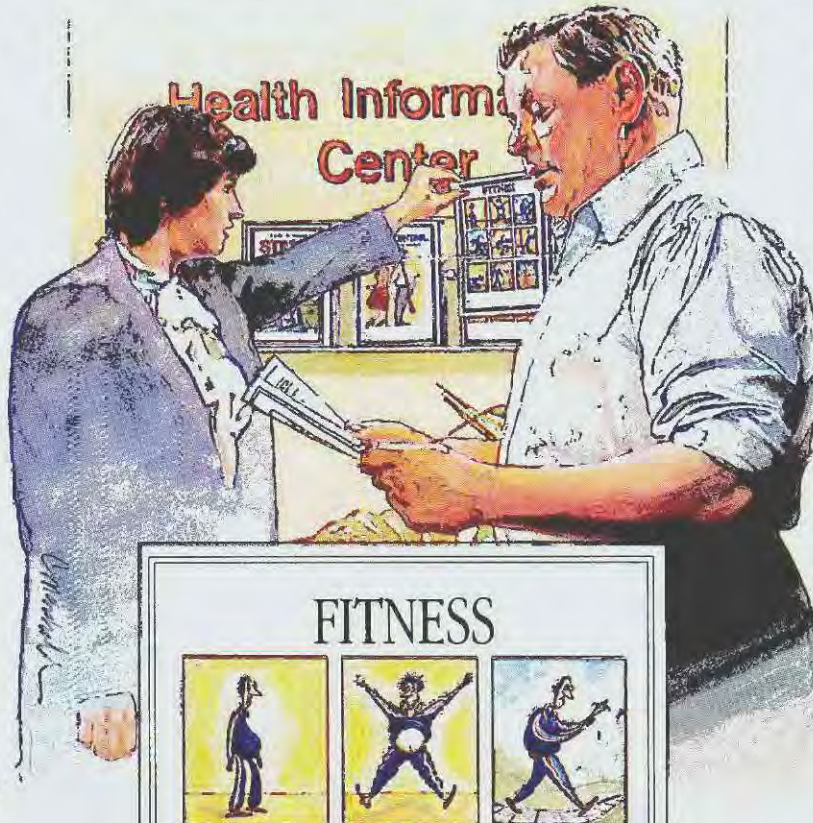
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# MAKE HEALTH COST CONTAINMENT PART OF EVERY JOB DESCRIPTION

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Continued from preceding page

**Independent.**

**Services provided:** 56.25% continuous consulting; 7.5% risk management audits; 11.25% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, claims auditing; occasional risk retention analysis (including self-insurance studies), captive feasibility studies, loss prevention audits, accounting system analysis, assessment of broker service and remuneration, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, designing risk management information systems, supervising self-insured claims handling; 25% other services.

**Specialty:** Manufacturing and trucking.

**Staff:** Two total staff; one professional staff member who is a principal consultant. Professional designations held by staff include one CPCU, one ARM, one claims adjusting license.

**Clients:** 14 total clients; 100% with risk and insurance budgets under \$1 million. No minimum size client.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$60.

**1984 gross revenues:** Not reported.

**Principal officers:** Dale W. Gray, president.

**Crain, Langner & Co.**

20575 Center Ridge Road,  
Cleveland, Ohio 44116;  
216-333-7622

**Year founded:** 1939.

**Independent.**

**Services provided:** 85% continuous consulting; 10% risk management audits; 5% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, assessment of broker service and remuneration, preparation of specifications for bidding; occasional captive feasibility studies, claims auditing, loss prevention audits, loss settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting, designing risk management information systems.

**Specialty:** Hospitals, government entities, industries.

**Staff:** Five total staff; three professional staff members who are principal consultants. Professional designations held by staff include three CPCUs, two ARMs, two CLUs.

**Clients:** 100 total clients; 94% with risk and insurance budgets under \$1 million; 5% \$1 million-\$5 million; 1% \$10 million-\$25 million.

**Compensation:** By the hour: principal consultant, \$95.

**1984 gross revenues:** \$320,000 total, all of which is generated by risk management consulting.

**Principal officers:** David A. Langner, president; William H. Elliott Jr. and Thomas E. Borrer, vps.

**Membership:** SRMC.

**Curtner Risk Management Inc.**

1616 17th St., Suite 579, Denver,  
Colo. 80202; 303-628-5556

**Year founded:** 1984.

**Independent.**

**Services provided:** 10% continuous consulting; 75% risk management audits; 15% special projects, including frequent insurance contract analysis, loss settlement assistance, risk management organization studies, preparation of specifications for bidding; occasional risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, claims auditing, loss prevention audits, accounting system analysis, assessment of broker service and remuneration, quantitative analysis and statistical forecasting, designing risk management information systems.

**Staff:** Two total staff; one professional staff member who is a principal consultant. Professional designations held by staff include one MBA, one FCAS.

**Clients:** Total clients not reported; 80% with risk and insurance budgets under \$1 million; 20% \$1 million-\$5 million. No minimum size client.

**Compensation:** By the project.

**1984 gross revenues:** Under \$100,000 total, all of which is generated by risk management consulting.

**Principal officers:** Walter R. Curtner, president.

**D****Kevin F. Donoghue & Associates**

190 High St., Boston, Mass. 02110;  
617-482-7015

**Year founded:** 1970.

**Independent.**

**Services provided:** 80% continuous consulting; 15% risk management audits; 5% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding; occasional captive feasibility studies, claims auditing, assessment of broker service and remuneration, loss settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting, designing risk management information systems.

**Specialty:** Contractors, manufacturers, retailers, wholesalers, municipalities, pharmaceutical operations, leisure time industries.

**Staff:** 12 total staff; six professional staff members, including three principal

consultants, three consultants. Professional designations held by staff include one CPCU, one MBA.

**Clients:** 82 total clients; 65% with risk and insurance budgets under \$1 million; 25% \$1 million-\$5 million; 7% \$5 million-\$10 million; 3% \$10 million-\$25 million. Minimum size client, approximately \$50,000 risk and insurance budget.

**Compensation:** By the hour: principal consultant, \$80-\$100; junior consultant, \$50-\$70; clerical, \$15-\$35.

**1984 gross revenues:** Not reported.

**Principal officers:** Kevin F. Donoghue, president; Richard G. Healy, vp-claims consulting; Robert J. Dorsey, executive vp; Philip A. Murphy, senior vp; Wesley B. Rowe, senior consultant.

**Membership:** SRMC.

**E****EVAZBO Risk Management Consulting Services Inc.**

Popular Bank Building, 9th Floor,  
Suite 901, Old San Juan, Puerto

Rico 00902; 809-724-3442

**Year founded:** 1974.

**Independent.**

**Services provided:** 75% continuous consulting; 15% risk management audits; 5% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, assessment of broker service and remuneration, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, designing risk management information systems, loss control and risk management seminars; occasional risk retention analysis (including self-insurance studies), accounting system analysis; 5% other services, including business management.

**Specialty:** Government, utilities, manufacturing companies, fast food companies.

**Locations:** Tampa, Fla.

**Staff:** 10 total staff, including two principal consultants, two consultants, two analysts. Professional designations held by staff include one CPCU, one ARM, four MBAs.

**Clients:** 23 total clients; 2% with risk

and insurance budgets under \$1 million; 98% \$1 million-\$5 million. Minimum size client, \$100,000 risk and insurance budget.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$350; junior consultant, \$160; consultant, \$85; clerical, \$35.

**1984 gross revenues:** \$375,000 from risk management consulting, \$500,000 total.

**Principal officers:** Edna Vazquez de Bonnet, president; Gloria Gordils, vp; Norma Cabrera, financial analyst; Nelly Cordova and Mildred Miranda, consultants.

**Ebasco Risk Management Consultants Inc.**

2 World Trade Center, New York,  
N.Y. 10048; 212-839-1334

**Year founded:** 1905.

**Parent company:** Ebasco Services Inc.

**Services provided:** 13% continuous consulting; 8% risk management audits; 12% special projects, including frequent

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**In health claims processing  
you don't just need hardware...**

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 risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, risk management organization studies, preparation of specifications for bidding; occasional claims auditing, loss prevention audits, accounting system analysis, assessment of broker service and remuneration, loss settlement assistance, quantitative analysis and statistical forecasting; 67% other services, including educational projects and seminars, data processing, catastrophe planning.

**Specialty:** Utilities, government entities.

**Locations:** Lyndhurst, N.J.; Hamilton, Bermuda.

**Staff:** 37 total staff, 31 professional staff members. Professional designations held by staff include three CPCUs, five ARMs, five MBAs, one CSP.

**Clients:** 100 total clients; 25% with risk and insurance budgets under \$1 million; 50% \$1 million-\$5 million; 15% \$5 million-\$10 million; 5% \$10 million-\$25 million; 5% exceeding \$25 million. Minimum size client, \$100,000 risk and

insurance budget.

**Compensation:** By the project; on retainer; by the hour: \$25-\$110.

**1984 gross revenues:** \$900,000 from risk management consulting, \$2.7 million total.

**Principal officers:** Bruce H. Suter, president; Donald R. Cook, senior vp; William J. Collins and Frederick F. Abdo, vps; Robert M. Bieber, director-client services.



**Herbert H. Feldman Insurance Consulting Associates**

60 Cutter Mill Road, Great Neck, N.Y. 11021; 516-829-6050

**Year founded:** 1973.

**Independent.**

**Services provided:** 95% continuous consulting; 5% risk management audits. **Specialty:** Real estate, retail chains, manufacturing, service, contracting.

**Locations:** Montreal, Quebec.

**Staff:** Four total staff, including two principal consultants. Professional designations held by staff include one

MBA, one CPA.

**Clients:** 25 total clients; 68% with risk and insurance budgets under \$1 million; 32% \$1 million-\$5 million. Minimum size client, \$100,000 risk and insurance budget.

**Compensation:** On retainer.

**1984 gross revenues:** Not reported.

**Principal officers:** Herbert H. Feldman.

**Membership:** SRMC.

**Felton Associates**

3255 Fritchie Drive, Baton Rouge, La. 70809; 504-925-2833

**Year founded:** 1976.

**Independent.**

**Services provided:** 20% continuous consulting; 40% risk management audits; 40% special projects, including frequent insurance contract analysis, preparation of specifications for bidding, expert witness testimony; occasional analysis of necessary insurance limits, assessment of broker service and remuneration.

**Staff:** Two total staff. Professional designations held by staff include one CPCU, one MBA, one CLU, one DBA.

**Clients:** Total clients not reported;

85% with risk and insurance budgets under \$1 million; 10% \$1 million-\$5 million; 5% \$5 million-\$10 million. No minimum size client.

**Compensation:** By the hour: principal consultant, \$90; junior consultant, \$35.

**1984 gross revenues:** Under \$100,000 total.

**Principal officers:** Robert S. Felton, owner.

**Membership:** SRMC.

**Fire Protection Engineers & Safety Consultants**

905 Muldoon Road, #A-56, Anchorage, Alaska 99504; 907-333-8659

**Year founded:** 1978.

**Independent.**

**Services provided:** 65% special projects, including frequent claims auditing; loss prevention audits; loss settlement assistance; risk management organization studies; preparation of specifications for bidding; designing risk management information systems; civil, structural, mechanical, electrical and HVAC systems; fire protection engineering and safety consulting. 35%

other services.

**Staff:** Six total staff, including one principal consultant, five consultants.

**Clients:** Number of clients not reported. Minimum size client, \$10 million risk and insurance budget.

**Compensation:** By the hour: principal consultant, \$125; consultant, \$75; clerical, \$35.

**1984 gross revenues:** Not reported.

**Principal officers:** Robert W. Olivier.

**First Risk Management Co.**

90 Bustleton Pike, Feasterville, Pa. 19047; 215-322-2400

**Year founded:** 1959.

**Independent.**

**Services provided:** 64% continuous consulting; 29% risk management audits; 6% special projects, including occasional risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss settlement assistance, preparation of specifications for bidding, designing risk management information systems. 1% other business, including serving as an expert witness.

**Locations:** San Juan, Puerto Rico.

**Staff:** 12 total staff, including three principal consultants, three consultants. Professional designations held by staff include three CPCUs, three ARMs, one ALCM.

**Clients:** Total clients not reported; 92% with risk and insurance budgets under \$1 million; 8% \$1 million-\$5 million. No minimum size client by risk and insurance budget; minimum fee required.

**Compensation:** On retainer; by the hour: principal consultant, \$195; consultant, \$150; clerical, \$30.

**1984 gross revenues:** More than \$700,000 generated from risk management consulting.

**Principal officers:** Leonard J. Silver, president; Alvin E. Mangold, executive vp; Vera N. Peregrim, vp.

**Membership:** SRMC.

**Fortune & Co./Risk Managers Inc.**

9728 Rosehill Road, Leveaux, Kan. 66215; 913-888-3163

**Year founded:** 1978.

**Independent.**

**Services provided:** 60% continuous consulting; 20% risk management audits; 10% special projects; 10% other services, including employee benefits consulting.

**Staff:** Four total staff, including three principal consultants. Professional designations held by staff include three CPCUs, three ARMs, one CLU.

**Clients:** 40 total clients; 90% with risk and insurance budgets under \$1 million; 10% \$1 million-\$5 million.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$75-\$120; clerical, \$18.

**1984 gross revenues:** Not reported.

**Principal officers:** David E. Fortune, president; Burton A. Selfridge Jr. and John M. Bueermann, vps.

**Leonard R. Friedman/Risk Management Inc. (LRF/RM Inc.)**

170 Great Neck Road, Great Neck, N.Y. 11021; 516-466-0750

**Year founded:** 1974.

**Independent.**

**Services provided:** 90% continuous consulting; 6% risk management audits; 4% special projects, including occasional insurance contract analysis, claims auditing, loss prevention audits, loss settlement assistance, preparation of specifications for bidding.

**Specialty:** Retail chains, manufacturers of wearing apparel.

**Staff:** 12 total staff; nine professional staff members, including three principal consultants, three consultants, three analysts. Professional designations held by staff include one CPCU, two ARMs, one MBA.

**Clients:** 28 total clients; 98% with risk and insurance budgets under \$1 million; 2% \$1 million-\$5 million. Minimum size client, \$150,000 risk and insurance budget.

**Compensation:** By the project, on retainer.

**1984 gross revenues:** \$585,000 total, all of which is generated by risk management consulting.

**Principal officers:** Leonard R. Friedman, president; Alice B. Weiss, executive vp.

**Membership:** SRMC.

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## G

### Glenn, Nyhan & Associates

282 Second St., San Francisco, Calif. 94105; 415-777-2341

**Year founded:** 1980.

**Parent company:** New Montgomery Street Financial Corp.

**Services provided:** 5% continuous consulting; 20% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, quantitative analysis and statistical forecasting, designing risk management information systems; occasional analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, accounting system analysis, assessment of broker service and remuneration, loss settlement assistance, risk management organization studies; 75% other services, including insurance brokerage, insurance company manage-

ment and consulting services, HMO/PPO/IPA consulting.

**Specialty:** Health care, national trade and professional associations.

**Locations:** Chicago; Princeton, N.J.; Hartford, Conn.

**Staff:** 50 total staff members, including six principal consultants, 10 consultants, three analysts. Professional designations held by staff include two CPCUs, two ARMs, two MBAs, one CLU, two CPAs, two attorneys.

**Clients:** 20 total clients; 100% with risk and insurance budgets under \$1 million. Minimum size client, \$50,000 risk and insurance budget.

**Compensation:** By the project; commissions for insurance placed with underwriters; by the hour: principal consultant, \$150; junior consultant and consultant, \$100; clerical, \$60.

**1984 gross revenues:** \$500,000 generated from risk management consulting, \$2.5 million total.

**Principal officers:** Paul E. Dorroh; Bartholomew G. Nyhan, president; Ronald W. Shepherd, executive vp-finance; Richard E. Glenn Jr., executive vp; John Norris and John Dorset, senior vps.

## Independent.

**Services provided:** 25% continuous consulting; 50% risk management audits; 25% special projects, including risk retention and loss funding studies; political risk and insurance analysis; well control risk analysis; captive insurer feasibility studies; directors' and officers' legal liability risk analysis; pollution and environmental risk and insurance analysis; insurance specification and tendering; support for debt and equity financing, mergers and acquisitions.

**Specialty:** Petroleum, petro-chemical, utilities and other energy-related industries.

**Staff:** Three total staff; two professional staff members. Professional designations held by staff include one ARM, two MBAs, one attorney, one PE, one FIC.

**Clients:** 10 total clients. No minimum size client.

**Compensation:** By the hour: principal consultant, \$90 Canadian.

**1984 gross revenues:** Not reported.

**Principal officers:** J.M. Gordon and Al. Brock McCarten.

## H

### Frank B. Hall & Co. Inc. (Risk Management Services)

549 Pleasantville Road, Briarcliff Manor, N.Y. 10510; 914-769-9200

**Year founded:** 1862.

**Parent company:** Frank B. Hall & Co. Inc.

**Services provided:** 15% continuous consulting; 7% risk management audits; 4% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, accounting system analysis, assessment of broker service and remuneration, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; 74% other services.

**Locations:** Worldwide.

**Staff:** Frank B. Hall & Co. Inc.: 6,000 professional staff members, including 1,500 principal consultants, 3,000 consultants, 1,500 analysts. Professional designations held by staff include 281 CPCUs, 379 ARMs, 110 MBAs, 26 FCAs, 21 CSPs, 52 attorneys.

**Clients:** 35,000 total clients; 75% with risk and insurance budgets under \$1 million; 10% \$1 million-\$5 million; 5% \$5 million-\$10 million; 5% \$10 million-\$25 million; 5% exceeding \$25 million. No minimum size client.

**Compensation:** By the project; commissions for insurance placed with underwriters; on retainer; by the hour: principal consultant, \$125 and up; consultant, \$100 and up; junior consultant, \$60 and up; clerical, \$30 and up.

**1984 gross revenues:** \$372 million total.

**Principal officers:** A.J. Tahmouh, chairman/president; W.C. Bartholomay, vice chairman; D.L. King, J.F. McCaffrey and P.T. Pruitt, executive vps.

### Thomas J. Hammond & Co.

3701 Wilshire Blvd., Suite 326, Los Angeles, Calif. 90010; 213-480-3833

**Year founded:** 1975.

**Independent.**

**Services provided:** 90% continuous consulting; 8% risk management audits; 2% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, assessment of broker service and remuneration, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional captive feasibility studies, claims auditing, loss prevention audits, accounting system analysis, designing risk management information systems.

**Staff:** Five total staff; two professional staff members who are principal consultants. Professional designations held by staff include one California Public Accountant.

**Clients:** 38 total clients.

**Compensation:** By the project, on retainer, by the hour.

**1984 gross revenues:** Not reported.

**Principal officers:** Thomas J. Hammond

Continued on facing page

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Continued from facing page  
mond Jr., president; Joan C. Morris, executive vp.

Membership: SRMC.

### Ernest A. Holfoth

4947 Lake Shore Road, Hamburg,  
N.Y. 14075; 716-627-5828

Year founded: 1978.

Independent.

**Services provided:** 75% continuous consulting, 15% risk management audits; 8% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, assessment of broker service and remuneration, preparation of specifications for bidding; occasional risk retention analysis (including self-insurance studies), claims auditing, loss prevention audits, loss settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting; 2% other services, including management of Upstate Municipal Risk Assn. Inc. (non-profit educational risk management organization).

**Specialty:** Municipalities and local government entities.

**Staff:** Three total staff; two professional staff members, including one principal consultant, one consultant. Professional designations held by staff include two CPCUs, two ARMs.

**Clients:** 30 total clients; 100% with risk and insurance budgets under \$1 million. No minimum size client.

**Compensation:** By the project; on retainer; by the hour: principal consultant and consultant, \$50-\$60.

1984 gross revenues: Not reported.

**Principal officers:** Ernest A. Holfoth, sole proprietor.

Membership: SRMC.

### Huggins Financial Services Inc.

229 S. 18th St., Philadelphia, Pa.  
19103; 215-875-2464

Year founded: 1911.

Parent company: Saatchi & Saatchi Co. Ltd.

**Services provided:** 25% continuous consulting; 10% risk management audits; 15% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, assessment of broker service and remuneration, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional claims auditing, accounting system analysis, loss settlement assistance, designing risk management information systems; 50% other services, including consulting for commercial insurers, cash management, banking.

**Locations:** New York; Chicago; Stamford, Conn.

**Staff:** 75 total staff; 51 professional staff members, including 15 principal consultants, 21 consultants, 15 analysts. Professional designations held by staff include one CPCU, one ARM, seven MBAs, two FCASs, two ACASs, two CLUs.

**Clients:** 300 total clients; 15% with risk and insurance budgets under \$1 million; 20% \$1 million-\$5 million; 25% \$5 million-\$10 million; 25% \$10 million-\$25 million; 15% exceeding \$25 million. No minimum size client.

**Compensation:** By the project; by the hour: principal consultant, \$110-\$135; junior consultant, \$40-\$60; consultant, \$80-\$110; clerical, \$20-\$40.

1984 gross revenues: \$2.6 million from risk management consulting, \$5.2 million total.

**Principal officers:** Phillip A. Turberg, president; Ronald T. Kuehn and Richard Smoker, senior vps; Warren Cooper and Jane Taylor, vps.

### Robert Hughes Associates Inc.

15400 Knoll Trail Drive, Suite 105,  
Dallas, Texas 75248; 214-980-0088

Year founded: 1979.

Independent.

**Services provided:** 20% continuous consulting; 20% risk management audits; 60% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, assessment of broker service and remuneration, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional accounting system analysis, loss settlement assistance, designing risk management information systems.

**Specialty:** Oil and gas, financial in-

stitutions, heavy manufacturing, contractors.

**Staff:** Four total staff; two professional staff members who are principal consultants. Professional designations held by staff include two CPCUs, two ARMs.

**Clients:** 25 total clients; 40% with risk and insurance budgets under \$1 million; 60% \$1 million-\$5 million. No minimum size client.

**Compensation:** By the project; by the hour: principal consultant, \$150.

1984 gross revenues: Not reported.  
**Principal officers:** Robert N. Hughes, president; Fred R. White, executive vp.

I

### Independent Risk & Insurance Management Services Inc. (IRIMS)

3080 N. Civic Center Plaza, Suite 1,  
Scottsdale, Ariz. 85251;  
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Year founded: 1981.

Continued on following page

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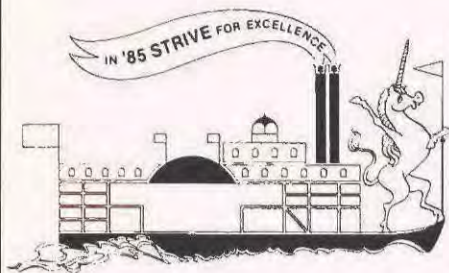
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## Don't Miss the Boat!

Continued from preceding page  
claims auditing, loss settlement assistance, quantitative analysis and statistical forecasting.

**Specialty:** International insurance, government entities.

**Staff:** Two total staff, including one principal consultant, one consultant. Professional designations held by staff include one CPCU.

**Clients:** One total client, with a risk and insurance budget \$5 million-\$10 million.

**Compensation:** By the hour: principal consultant, \$200.

**1984 gross revenues:** Not reported.  
**Principal officers:** Louis E. Dwyer Jr., senior consultant; T.B. Dwyer, consultant.

### Intex Management Co. Ltd.

2809 Regal Road, Plano, Texas 75075; 214-867-2200

**Year founded:** 1979.

**Services provided:** 50% continuous consulting; 5% risk management audits; 15% special projects, including frequent captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, assessment of broker service and remuneration, loss settlement assistance, risk management organization studies; risk retention analysis (including self-insurance studies), loss prevention audits, accounting system analysis, preparation of specifications for bidding, quantitative analysis and statistical forecasting; 30% other services, including serving as a managing general agent for excess/surplus lines through Intex Underwriters Inc.

**Staff:** 10 total staff; seven professional staff members, including three principal consultants, two consultants, two analysts. Professional designations held by staff include two ARMs, one MBA, one CSP, one MIM.

**Clients:** Total clients not reported; 40% with risk and insurance budgets under \$1 million; 60% \$1 million-\$5 million. No minimum size client.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$100-\$150; junior consultant and consultant, \$75-\$125; clerical, \$40.

**1984 gross revenues:** \$400,000 generated by risk management consulting, \$600,000 total.

**Principal officers:** Klaus J. Gebhardt, chairman/president; Mark D. Gebhardt, senior vp; John Schapperle, vp.

### Richard N. Irmas Co.

307 S. Robertson Blvd., Beverly Hills, Calif. 90211; 213-652-7191

**Year founded:** 1980.  
**Independent.**

**Services provided:** 60% continuous consulting; 40% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, loss prevention audits, preparation of specifications for bidding; occasional captive feasibility studies, claims auditing, assessment of broker service and remuneration, loss settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting, designing risk management information systems.

**Specialty:** Industrial cogeneration and alternative energy products.

**Staff:** Three total staff, including one principal consultant, one consultant, one analyst. Professional designations held by staff include one CPCU, one ARM, one MBA, one CLU.

**Clients:** Six total clients; 66.5% with risk and insurance budgets under \$1 million; 33.5% \$1 million-\$5 million. No minimum size client.

**Compensation:** By the project; on retainer; by the hour: principal consultant, up to \$150; junior consultant, up to \$100; consultant, up to \$85; clerical, up to \$35.

**1984 gross revenues:** \$95,000 generated by risk management consulting.

**Principal officers:** Richard N. Irmas, president; Dorothy Colvin, vp.

## J

### Fred S. James & Co. Inc. (Risk Management Services)

55 Water St., New York, N.Y. 10041; 212-747-6849

**Year founded:** 1858.

**Parent company:** Transamerica Corp.

**Services provided:** Continuous consulting; special projects, including risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, claims auditing, loss prevention audits, accounting system analysis, assessment of broker service and remuneration, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, designing risk management information systems, captive management, actuarial services, reserve certifications, IEL studies.

**Locations:** 120 offices worldwide.

**Staff:** 100 total staff, 80 professional staff members.

**Clients:** 200-500 total clients. No minimum size client.

**Compensation:** By the project, commissions for insurance placed with underwriters, on retainer, by the hour.

**1984 gross revenues:** Not reported.  
**Principal officers:** Michael P. Dinstein, vp-risk management services;

Richard Duvall, Harry Shuford, Charles Lederman, Tom Hobbs, Warren Sproule, John Cozzolino and Alan Josefsek.

### Johnson & Higgins Risk Management Services

95 Wall St., New York, N.Y. 10005; 212-701-7500

**Year founded:** 1972.

**Parent company:** Johnson & Higgins.

**Services provided:** 30% continuous consulting; 10% risk management audits; 60% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, quantitative analysis and statistical forecasting, actuarial consulting, structured settlements; occasional insurance contract analysis, claims auditing, loss prevention audits, accounting system analysis, loss settlement assistance, risk management organization studies, general management consulting, captive growth plans, loss portfolio transfer, captive rehabilitation consulting.

**Locations:** 21 offices throughout the United States; Toronto; Sydney, Australia.

**Staff:** 72 total staff; 63 professional staff members. Professional designations held by staff include eight CPCUs, four ARMs, seven MBAs, two FCASs, two ACASs, one CLU, two attorneys, one PhD.

**Clients:** Total clients not reported.  
**Compensation:** By the project, commissions for insurance placed with underwriters, by the hour.

**1984 gross revenues:** Not reported.  
**Principal officers:** Richard J. Rice, president; Alan G. Page, Charles W. Mathers, Howard M. Metzger and Daniel Rogers, vps.

### Albert C. Jones, New England Inc.

P.O. Box 281, Hanover, N.H. 03755; 603-643-3904

**Year founded:** 1977.

**Independent.**

**Services provided:** 54.4% continuous consulting; 3.2% risk management audits; 6.4% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, assessment of broker service and remuneration, risk management organization studies, preparation for specifications for bidding, quantitative analysis and statistical forecasting, designing risk management information systems; occasional captive feasibility studies, loss settlement assistance; 36% other services, including employee benefits consulting.

**Specialty:** Government entities, school systems, associations.

**Staff:** Eight total staff; five professional staff, including three principal consultants, two consultants. Professional designations held by staff include one CPCU, two ARMs, one MBA, two CLUs, two CICs.

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Continued from facing page

**Clients:** 120 total clients; 70% with risk and insurance budgets under \$1 million; 20% \$1 million-\$5 million; 10% \$5 million-\$10 million. No minimum size client.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$50; junior consultant, \$40; clerical, \$20.

**1984 gross revenues:** \$260,000 generated by risk management consulting, \$315,000 total.

**Principal officers:** Jane Y. Rastallis, president; Albert C. Jones, treasurer.

L

### LMC & Associates

8770 S.W. Scoffins, Portland, Ore.  
97223; 503-684-1590

**Year founded:** 1981.

**Independent.**

**Services provided:** 20% continuous consulting; 50% risk management audits; 30% special projects, including frequent insurance contract analysis, assessment of broker service and remuneration, risk management organization studies, preparation of specifications for bidding, work with attorneys; occasional risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, claims auditing, loss settlement assistance.

**Specialty:** Public entities.

**Staff:** Four total staff; two professional staff members who are principal consultants.

**Clients:** 45 total clients; 98% with risk and insurance budgets under \$1 million; 2% \$1 million-\$5 million. Minimum size client, \$50,000 risk and insurance budget (exclusive of workers compensation).

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$85-\$100; clerical, \$25.

**1984 gross revenues:** More than \$100,000 total, all of which is generated by risk management consulting.

**Principal officers:** Lawrence M. Cooksey, Gary E. Munson.

**Membership:** SRMC.

### Robert W. Lazarus & Associates Inc.

2809 Regal Road, 100H, Plano,  
Texas 75075; 214-867-4348

**Year founded:** 1981.

**Independent.**

**Services provided:** 75% continuous consulting; 20% risk management audits; 5% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, loss settlement assistance, preparation of specifications for bidding, quantitative analysis and statistical analysis; occasional captive feasibility studies, claims auditing, accounting system analysis, assessment of broker service and remuneration, risk management organization studies, designing risk management information systems.

**Staff:** Five total staff, including one principal consultant, one analyst. Professional designations held by staff include one ARM, one MBA.

**Clients:** Total clients not reported; 70% with risk and insurance budgets under \$1 million; 25% \$1 million-\$5 million; 5% \$5 million-\$10 million. No minimum size client.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$110-\$125.

**1984 gross revenues:** Not reported.

**Principal officers:** Robert W. Lazarus, president.

**Membership:** SRMC.

### Justin S. Lencke & Associates

Route 4, Box 270, Marianna, Fla.  
32446; 904-579-4575

**Year founded:** 1952.

**Independent.**

**Services provided:** 100% continuous consulting and special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, loss settlement assistance, preparation of specifications for bidding; occasional risk retention analysis (including self-insurance studies), claims auditing, loss prevention audits, assessment of broker service and remuneration, risk management organization studies, quantitative analysis and statistical forecasting, designing risk management information systems.

**Specialty:** Financial institutions, hospitals, contractors, mercantile, manufacturing.

**Staff:** Four total staff, including one principal consultant, one consultant, one analyst.

**Clients:** Total clients not reported; 90% with risk and insurance budgets under \$1 million; 10% \$1 million-\$5 million.

**Compensation:** On retainer.

**1984 gross revenues:** \$200,000 total, all of which is generated by risk management consulting.

**Principal officers:** Justin S. Lencke, owner; John D. Lencke and Mark D. Lencke Jr., consultants.

### Lennox, Carrington & Co. Inc.

41 Lewis St., Hartford, Conn.  
06103; 203-724-6312

**Year founded:** 1984.

**Independent.**

**Services provided:** 40% continuous consulting; 10% risk management audits; 50% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary

insurance limits, claims auditing, accounting system analysis, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, designing risk management information systems, TPA aggregate retention reviews; occasional insurance contract analysis, loss prevention audits, assessment of broker service and remuneration.

**Specialty:** Associations, franchise groups, third-party administrators.

**Staff:** Five total staff; four professional staff members who are principal consultants. Professional designations held by staff include one CPCU, one ARM, one MBA, two CICs.

**Clients:** Total clients not reported; 33% with risk and insurance budgets \$1 million-\$5 million; 33% \$5 million-\$10 million; 34% \$10 million-\$25 million. Minimum size client, \$1 million risk and insurance budget.

**Compensation:** By the project, on retainer.

**1984 gross revenues:** Not reported.

**Principal officers:** Jeffrey B. Carrington, president; Andrew D. Lennox, vp.

### John Liner Insurance & Risk Management Advisers Inc.

555 Washington St., Wellesley,  
Mass. 02181; 617-235-8450

**Year founded:** 1959.

**Parent company:** John Liner Letter.

**Services provided:** 80% continuous consulting; 15% risk management audits; 5% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, risk management organization studies, preparation of specifications for bidding; occasional captive feasibility studies, claims auditing, loss prevention audits, assessment of broker service and remuneration, loss settlement assistance, quantitative analysis and statistical forecasting, designing risk management information systems.

**Staff:** 11 total staff members, including four principal consultants, two consultants. Professional designations held by staff include two CPCUs, two MBAs.

**Clients:** Total clients not reported.

**Compensation:** By the project; on re-

tainer; by the hour: principal consultant, \$100; consultant, \$90.

**1984 gross revenues:** Not reported.

**Principal officers:** Douglas Bell, chairman; Dwight E. Levick, president; Thomas C. Radziewicz, vp.

**Membership:** SRMC.

M

### M&M Risk Management Services

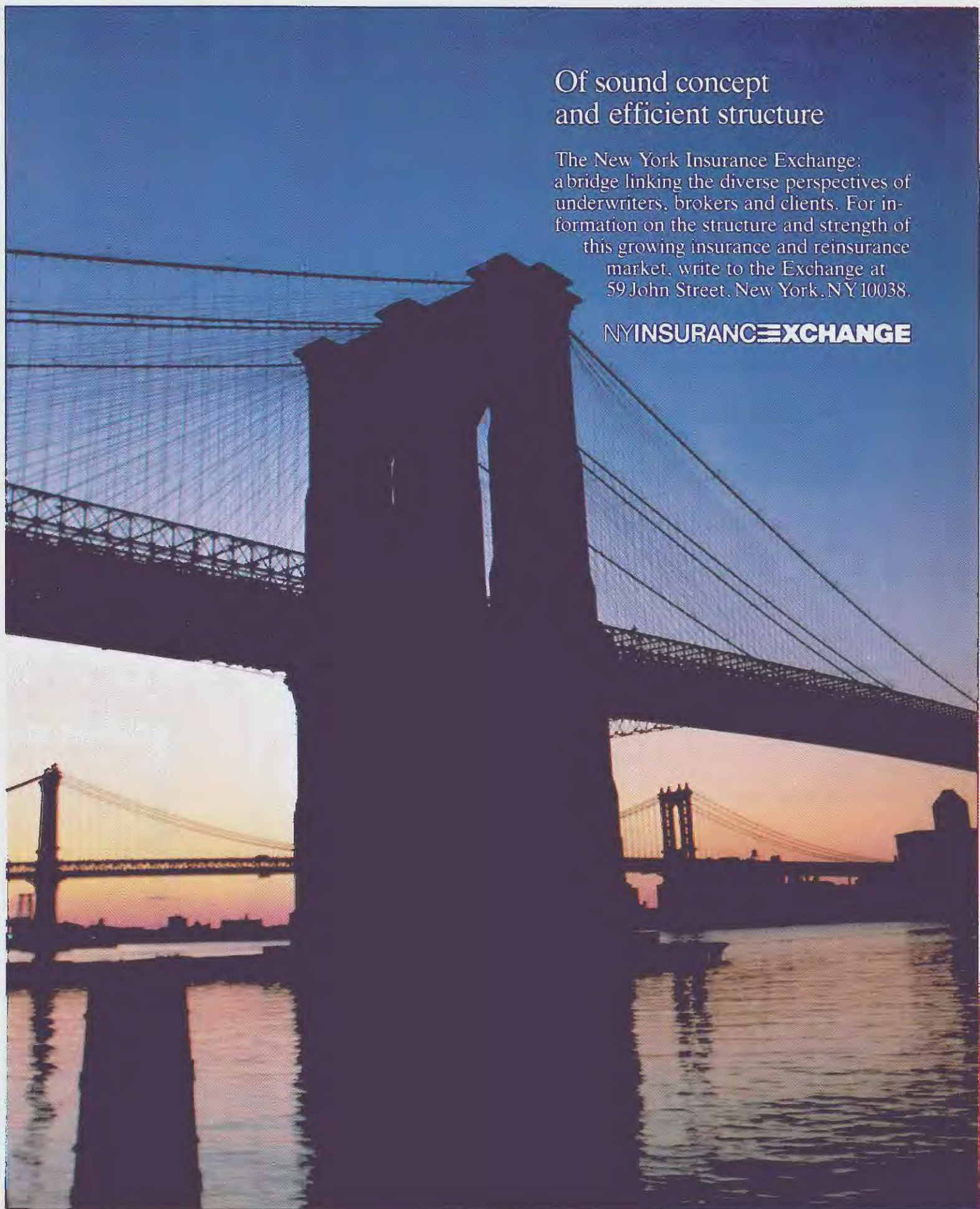
1221 Ave. of the Americas, New  
York, N.Y. 10020; 212-997-5900

**Year founded:** 1973.

**Parent company:** Marsh & McLennan Inc.

**Services provided:** 70% continuous consulting; 5% risk management audits; 25% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, quantitative analysis and statistical forecasting; occasional analysis of necessary insurance limits, accounting system analysis, assessment of broker

Continued on next page



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service and remuneration, loss settle-  
ment assistance, risk management or-  
ganization studies, preparation of speci-  
fications for bidding, designing risk  
management information systems.

**Locations:** Locations nationwide.  
**1984 gross revenues:** Not reported.  
**Principal officers:** Paul Goularte,  
vp/national manager; Pat LePenske,  
vp/Chicago manager; Ron Barnes, as-  
sistant vp/New York manager; Arlene  
Corsetti, assistant vp/San Francisco  
manager; Terry Goldberg, assistant  
vp/actuarial consultant.

**MRM/Multi-Risk  
Management Inc.**

350 N. Clark, Chicago, Ill. 60610;  
312-670-2100

**Year founded:** 1977.  
**Independent.**  
**Services provided:** 30% continuous  
consulting; 10% risk management  
audits; 17% special projects, including  
frequent risk retention analysis (in-  
cluding self-insurance studies), captive  
feasibility studies, insurance contract  
analysis, claims auditing, preparation of  
specifications for bidding, quantitative  
analysis and statistical forecasting; oc-  
casional analysis of necessary insurance  
limits, loss prevention audits, assess-  
ment of broker service and remunera-  
tion, loss settlement assistance, risk  
management organization studies; 43%  
other services, including third-party  
administration.

**Specialty:** Health care organizations.  
**Staff:** 19 total staff, including 11  
principal consultants, four consultants,  
four analysts. Professional designations  
held by staff include three MBAs.

**Clients:** 130 clients; 10% with risk  
and insurance budgets under \$1 mil-  
lion; 30% \$1 million-\$5 million; 60% \$5  
million-\$10 million.

**Compensation:** By the project; on re-  
tainer; by the hour: principal consul-  
tant, \$55; junior consultant, \$45; consul-  
tant, \$35; clerical, \$20.

**1984 gross revenues:** \$480,000 gen-  
erated by risk management consulting.  
**Principal officers:** Michael Burack,  
president; R.H. Moysey, vp.

**MacMeekin Insurance  
Consulting**

58 Progress Ave., West Springfield,  
Mass. 01089; 413-737-0867

**Year founded:** 1982.  
**Independent.**  
**Services provided:** 75% continuous  
consulting; 20% risk management  
audits; 5% special projects, including  
frequent analysis of necessary insur-  
ance limits, insurance contract analysis,  
claims auditing, accounting system  
analysis, loss settlement assistance,  
preparation of specifications for bid-  
ding, occasional risk retention analysis  
(including self-insurance studies), cap-  
tive feasibility studies, loss prevention  
audits, assessment of broker service and  
remuneration, quantitative analysis  
and statistical forecasting.

**Staff:** Three total staff, including two  
principal consultants. Professional des-  
ignations held by staff include one  
CPCU, one MBA.

**Clients:** 35 total clients; 100% with  
risk and insurance budgets under \$1  
million. Minimum size client \$50,000  
risk and insurance budget.

**Compensation:** By the project; on re-  
tainer; by the hour: principal consul-  
tant, \$90; clerical, \$30.

**1984 gross revenues:** Not reported.  
**Principal officers:** Donald M. Mac-  
Meekin, Medora H. MacMeekin.

**Carl S. Mauthe &  
Associates**

1155 Harry Wurzbach, San  
Antonio, Texas 78209;  
512-824-4027

**Year founded:** 1982.  
**Independent.**  
**Services provided:** 10% continuous  
consulting; 80% risk management  
audits; 10% special projects, including  
occasional risk retention analysis (in-  
cluding self-insurance studies) captive  
feasibility studies, analysis of necessary  
insurance limits, insurance contract  
analysis, claims auditing, loss preven-  
tion audits, accounting system analysis,  
assessment of broker service and re-  
muneration, loss settlement assistance, risk  
management organization studies,  
preparation of specifications for bid-  
ding, quantitative analysis and statisti-  
cal forecasting, designing risk man-  
agement information systems.

**Specialty:** Manufacturing, contract-  
ing, service industries.

**Staff:** Three total staff; two profes-  
sional staff members, including one  
principal consultant, one analyst. Pro-  
fessional designations held by staff in-  
clude one ARM, one CIC.

**Clients:** Two total clients; 100% with  
risk and insurance budgets under \$1  
million.

**Compensation:** By the project; com-  
missions for insurance placed with un-  
derwriters; on retainer; by the hour:  
principal consultant, \$50-\$100; junior  
consultant, \$30; clerical, \$10.

**1984 gross revenues:** \$7,500 gen-  
erated by risk management consulting,  
\$9,000 total.

**Principal officers:** Carl S. Mauthe,  
owner.

**Robert E. Maynard**

325 Davis St., Evanston, Ill. 60201;  
312-864-7717

**Year founded:** 1976.  
**Independent.**  
**Services provided:** 100% continuous  
consulting and special projects, includ-  
ing frequent risk retention analysis (in-  
cluding self-insurance studies), analysis  
of necessary insurance limits, insurance  
contract analysis, claims auditing, loss  
prevention audits, assessment of broker  
service and remuneration, loss settle-  
ment assistance, preparation of speci-  
fications for bidding, quantitative analy-  
sis and statistical forecasting, designing  
risk management information systems;  
occasional captive feasibility studies,  
accounting system analysis, risk man-  
agement organization studies.

**Staff:** One total staff member who is  
a principal consultant and holds a  
CPCU designation.

**Clients:** Three total clients; 33% with  
risk and insurance budgets under \$1  
million; 67% \$1 million-\$5 million.

**Compensation:** On retainer.  
**1984 gross revenues:** \$47,000 total, all  
generated by risk management consult-  
ing.

**Principal officers:** Robert E. May-  
nard.

**McNeary Insurance  
Consulting  
Services Inc.**

6525 Morrison Blvd., Suite 301,  
Charlotte, N.C. 28222;  
704-365-4150

**Year founded:** 1956.  
**Parent company:** Booke & Co.  
**Services provided:** 48% continuous  
consulting; 20% risk management  
audits; 12% special projects, including  
frequent risk retention analysis (in-  
cluding self-insurance studies), captive  
feasibility studies, analysis of necessary  
insurance limits, insurance contract  
analysis, loss prevention audits, assess-  
ment of broker service and remunera-  
tion, risk management organization  
studies, preparation of specifications for  
bidding, quantitative analysis and sta-  
tistical forecasting; occasional claims  
auditing, accounting system analysis,  
loss settlement assistance, designing  
risk management information systems;  
20% other services.

**Specialty:** Hospitals, financial insti-  
tutions, communications industry, tex-  
tiles, professional associations.

**Locations:** Atlanta.

**Staff:** 22 total staff members, includ-  
ing eight principal consultants, four  
consultants, four analysts. Professional  
designations held by staff include seven  
CPCUs, four ARMs, two MBAs, one  
CSP, one PE, one CET, two RNs.

**Clients:** 225 total clients; 80% with  
risk and insurance budgets under \$1  
million; 20% \$1 million-\$5 million. No  
minimum size client.

**Compensation:** By the project; on re-  
tainer; by the hour: principal consul-  
tant, \$80-\$115; junior consultant, \$50-  
\$80; consultant, \$35-\$50; clerical, \$25.

**1984 gross revenues:** \$1 million from  
risk management consulting.

**Principal officers:** W.C. Moore,  
president; T.S. Helms, senior vp; J.L.  
Goode, R.G. Clarke, S.N. Broome, W.D.  
Yeager and C.W. Malmberg, vps.

Continued on facing page

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Continued from facing page

**Warren D. McPherson**Suite 225, Russo Building,  
Fredonia, N.Y. 14063;  
716-673-1777**Year founded:** 1975.**Independent.****Services provided:** 80% continuous consulting; 10% risk management audits; 10% special projects, including frequent insurance contract analysis, preparation of specifications for bidding.**Staff:** One total staff member who is a principal consultant and holds CPCU and ARM designations.**Clients:** 14 total clients; 100% with risk and insurance budgets under \$1 million. No minimum size client.**Compensation:** By the hour; principal consultant, \$55.**Principal officers:** Warren D. McPherson.**Membership:** SRMC.**Melanber Inc.**488 Montford Drive,  
Dollard-des-Ormeaux, Quebec H9G  
1M6; 514-620-3010**Year founded:** 1978.**Independent.****Services provided:** 45% continuous consulting; 40% risk management audits; 10% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, assessment of broker service and remuneration, loss settlement assistance, preparation of specifications for bidding, risk management seminars for clients; occasional risk retention analysis (including self-insurance studies), captive feasibility studies, claims auditing, loss prevention audits, risk management organization studies; 5% other services, including lecturing.**Specialty:** Financial institutions, government entities, educational institutions, chemical, steel, construction.**Locations:** Montreal.**Staff:** Three total staff; two professional staff members, including one principal consultant, one consultant. Professional designations held by staff include one AIIIC.**Clients:** 24 total clients; 80% with risk and insurance budgets under \$1 million; 10% \$1 million-\$5 million; 10% \$5 million-\$10 million. Minimum size client, \$50,000 risk and insurance budget.**Compensation:** By the project; on retainer; by the hour: as expert witness, \$200; principal consultant, \$125; consultant, \$60; clerical, \$10.**1984 gross revenues:** More than \$100,000 total.**Principal officers:** Mel Parsons, president; Beryl Shapley, secretary/treasurer.**Membership:** SRMC.**Mund, McLaurin & Co. of****Los Angeles**1100 El Centro St., Suite 103,  
South Pasadena, Calif. 91030;  
818-441-4591**Year founded:** 1920.**Independent.****Services provided:** 35% continuous consulting; 35% risk management audits; 30% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, risk management organization studies, preparation of specifications for bidding, client representation with agents and brokers, lease and construction contract review; occasional risk retention analysis (including self-insurance studies), captive feasibility studies, loss prevention audits, accounting system analysis, assessment of broker service and remuneration, loss settlement assistance, quantitative analysis and statistical forecasting.**Staff:** Eight total staff; five professional staff members, including four principal consultants, one consultant. Professional designations held by staff include one CPCU, one ARM.**Clients:** Total clients not reported. No minimum size client.**Compensation:** On retainer, by the hour.**Principal officers:** W.J. Pinckney, president; D.J. Voller, P.W. Pinckney and John B. Toy Jr., vps; Helen Savage, consultant.**Membership:** SRMC.**Mund, McLaurin & Co. of****San Francisco**1990 N. California Blvd., Walnut  
Creek, Calif. 94596; 415-930-7557**Year founded:** 1920.**Independent.****Services provided:** 40% continuous consulting; 50% risk management audits; 10% special projects, including frequent risk retention analysis (in-

cluding self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding; occasional claims auditing, assessment of broker service and remuneration, loss settlement assistance, risk management organization studies, designing risk management information systems.

**Staff:** Three total staff members, including one principal consultant, two consultants.**Clients:** 51 total clients. No minimum size client.**Compensation:** By the project, or retainer.**1984 gross revenues:** Not reported.**Principal officers:** Don L. DeVere, president.**N****NIA Risk Management  
Services Inc.**66 Route 17, Paramus, N.J. 07652;  
201-845-6600**Year founded:** 1978.**Parent company:** NIA Ltd.**Services provided:** 90% continuous consulting; 5% risk management audits; 5% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, loss settlement assistance, preparation of specifications for bidding; occasional captive feasibility studies, assessment of broker service and remuneration, risk management organization studies, quantitative analysis and statistical forecasting.**Staff:** 10 total staff members, including two principal consultants, one consultant, three analysts.**Clients:** 30 total clients; 100% with risk and insurance budgets under \$1 million. Minimum size client, \$75,000 risk and insurance budget.**Compensation:** By the project; on retainer.**1984 gross revenues:** \$300,000 total, all generated by risk management consulting.**Principal officers:** Paul L. Gross, president; William F. Meade, executive vp; Charles Rosenberg, regional vp.**Haig Neville Associates**6290 Commerce Road, West  
Bloomfield, Mich. 48033;  
313-360-1350**Year founded:** 1959.**Parent company:** Risk Research Institute Inc.**Services provided:** 50% continuous consulting; 40% risk management audits; 10% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, assessment of broker service and remuneration, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding, employee benefit consulting, risk management seminars; occasional claims auditing, quantitative analysis and statistical forecasting, accounting system analysis, loss-prevention audits.**Locations:** Ormond Beach, Fla.; Hamilton, Bermuda.**Staff:** 10 total staff; eight professional staff members, including three principal consultants, three consultants, two analysts. Professional designations held by staff include three CPCUs, two

ARMS, one MBA, one FCAS, one attorney, one CLU.

**Clients:** More than 150 total clients; 96% with risk and insurance budgets under \$1 million; 2% \$1 million-\$5 million; 2% \$5 million-\$10 million. No minimum size client.**Compensation:** By the project; on retainer; by the hour: principal consultant, \$125; consultant, \$100; junior consultant, \$75; clerical services included.**1984 gross revenues:** Not reported.**Principal officers:** Haig G. Neville; Juanita Neville, secretary/treasurer; Denis Shelley, vp.**P****William Peet, Insurance  
Consultant**2156 Inglehart Ave., St. Paul, Minn.  
55104; 612-645-6677**Year founded:** 1959.**Independent.****Services provided:** 100% continuous consulting, risk management audits and  
*Continued on following page*

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NO. 5

## Bhopal Spurs Scrutiny of International Risks.

The magnitude of the Bhopal tragedy has focused worldwide attention on the overseas exposures of multinational companies. Multinationals are realizing that foreign exposures should be viewed just as seriously as those at home.

As a result, many CEOs are taking a hard-nosed look at their international insurance/risk management programs for the first time. The question they must ask is where responsibility for overseas risk management decisions should lie.

While some multinationals have centralized their international program at corporate headquarters, many have not. Reasons for this range from reluctance to interfere with local management to absence of a centralized system of fiscal control.

Today's environment of tightening markets, shrinking capacity, and the spectre of soaring overseas liabilities suggests that local autonomy in insurance may become an unaffordable luxury. Skillful structuring of worldwide programs may be the only way for multinational companies to protect overseas—and domestic—assets adequately.

Should the United States courts opt to assume jurisdiction over international claims, multinationals may have trouble obtaining adequate coverage. Underwriters pressed by years of unacceptable loss ratios will be insisting upon radically increased premiums, sharply reduced limits, and increased retentions. For many companies, self-absorption of risk at the higher levels will become routine.

Multinationals must feel confident that their brokers can design and market a risk management program that will provide worldwide protection of uniform scope and quality. The broker must be able to analyze acceptable retention levels, tap the world insurance market, and provide the services necessary to help clients manage retained risk.

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Continued from preceding page special projects, including insurance contract analysis, assessment of broker service and remuneration, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, expert witness to attorneys.

**Staff:** One staff member who has a CPCU designation.

**Clients:** Total clients not reported. No minimum size client.

**Compensation:** On retainer; by the hour: principal consultant, \$75-\$100.

**1984 gross revenues:** Not reported.

**Principal officers:** William Peet.

### Permian Risk Management

1309 W. 15th St., Suite 201, Plano, Texas 75075; 214-985-1135

**Year founded:** 1980.

**Parent company:** R.J. Jones & Associates Inc.

**Services provided:** 30% continuous consulting; 10% risk management audits; 60% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, assessment of broker service and remuneration, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, risk qualification statements for SEC on prospectus; occasional captive feasibility studies, loss prevention audits, accounting system analysis, designing risk management information systems.

**Specialty:** Oil and gas, cable television, real estate development, construction, transportation, financial institutions.

**Staff:** Five total staff; three professional staff members, including two principal consultants, one consultant. Professional designations held by staff include two CPCUs, three ARMs, one MBA, one CLU, one CIC, one attorney.

**Clients:** Total clients not reported; 70% with risk and insurance budgets under \$1 million; 20% \$1 million-\$5 million; 10% \$5 million-\$10 million. No minimum size client.

**Compensation:** By the hour: principal consultant, \$125; consultant, \$100; clerical, \$25.

**1984 gross revenues:** \$283,000 total, all of which is generated by risk management consulting.

**Principal officers:** Ronald J. Jones, president.

### H. Russell Perry Insurance Advisor Inc.

P.O. Box 611, Carlisle, Mass.  
01741; 617-369-6111

**Year founded:** 1976.

**Independent.**

**Services provided:** 75% continuous consulting; 10% risk management audits; 15% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, assessment of broker service and remuneration, preparation of specifications for bidding; occasional loss prevention audits, loss settlement assistance.

**Staff:** Two total staff; one professional staff member who is a principal consultant and has an ARM designation.

**Clients:** 15 total clients; 100% with risk and insurance budgets under \$1 million.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$90.

**1984 gross revenues:** \$100,000 total, all of which is generated by risk management consulting.

**Principal officers:** H. Russell Perry, president/treasurer; Elsie R. Perry, v.p.

**Membership:** SRMC.

### John Pierce, Consulting Actuary

1241 Tyrell, Park Ridge, Ill. 60068;  
312-692-5284

**Year founded:** 1983.

**Independent.**

**Services provided:** 80% special projects, including frequent quantitative analysis and statistical forecasting, designing risk management information systems, consulting actuarial work; 20% other services, including work for casualty insurance companies and state insurance departments.

**Staff:** One total staff member who is a principal consultant and has MBA and FCAS designations.

**Clients:** Total clients not reported. No minimum size client.

**Compensation:** By the hour: principal consultant, \$35-\$100.

**1984 gross revenues:** \$40,000 generated by risk management consulting, \$50,000 total.

**Principal officers:** John Pierce.

### Professional Risk Management Consultants

Suite 300, The Century Building,  
130 Seventh St., Pittsburgh, Pa.  
15222; 412-288-0832

**Year founded:** 1982.

**Parent company:** Halliwell & Associates Inc.

**Services provided:** 50% continuous consulting; 25% risk management audits; 25% special projects, including frequent analysis of necessary insurance limits, insurance placement analysis, assessment of broker service and remuneration, risk management organization studies, preparation of specifications for bidding; occasional risk retention analysis (including self-insurance studies), captive feasibility studies, loss settlement assistance, quantitative analysis and statistical forecasting, designing risk management information systems.

**Specialty:** Hospitals, public and private educational institutions, county governments.

**Staff:** 19 total staff members, including four principal consultants, seven consultants, three analysts. Professional designations held by staff include one CPCU, two ARMs, one CLU, three EAs, four ASAs.

**Clients:** 47 total clients; 95% with risk and insurance budgets under \$1 mil-

lion; 5% \$1 million-\$5 million. Minimum size client, \$50,000 risk and insurance budget.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$100; consultant, \$70; clerical services included.

**1984 gross revenues:** Not reported.

**Principal officers:** Paul D. Halliwell, chairman; Thomas S. Baily, president; David W. Wetherill and David B. Thomas, vps.

### Professional Risk Management Inc.

8300 Bissonnet, Suite 610,  
Houston, Texas 77074;  
713-777-3561

**Year founded:** 1979.

**Independent.**

**Services provided:** 90% continuous consulting; 10% special projects, including frequent captive feasibility studies, insurance contract analysis, claims auditing, loss prevention audits, loss settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting, designing risk management information systems; occasional analysis of necessary insurance limits, accounting system analysis.

**Specialty:** Contractors.

**Staff:** 15 total staff; 10 professional staff members, including three principal consultants.

**Clients:** Total clients not reported. Minimum size client, \$100,000 risk and insurance budget.

**Compensation:** Commissions for insurance placed with underwriters.

**1984 gross revenues:** \$500,000 total, all of which is generated by risk management consulting.

**Principal officers:** Antonio A. Tijerina Jr., president.

**R**

### RIMCO Risk Management

10300 N. Central Expressway,  
Building V, Suite 350, Dallas, Texas  
75231; 214-363-2451/800-527-6856

See listing for: Tillinghast, Nelson & Warren Inc.

### Regent Consultants Corp.

366 N. Broadway, Jericho, N.Y.  
11753; 516-931-6555

**Year founded:** 1963.

**Independent.**

**Services provided:** 95% continuous consulting; 5% risk management audits; 5% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, assessment of broker service and remuneration, preparation of specifications for bidding; occasional risk retention analysis (including self-insurance studies), captive feasibility studies, loss settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting, designing risk management information systems.

**Specialty:** Public entities, moving and storage, trucking, construction, wine and spirits, food.

**Staff:** Four total staff, including one principal consultant, two analysts. Professional designations held by staff include one CPCU, one ARM, one attorney.

**Clients:** 30 total clients; 90% with risk and insurance budgets under \$1 million; 10% \$1 million-\$5 million.

**Compensation:** On retainer; by the hour: principal consultant, \$500 per diem.

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Continued from facing page

**1984 gross revenues:** Not reported.  
**Principal officers:** Philip Platzer.  
**Membership:** SRMC.

### The Reiss Organization/American Risk Management Inc.

1 Executive Drive, Fort Lee, N.J.  
07024; 201-592-7100

**Year founded:** 1958.

**Independent.**

**Services provided:** 30% continuous consulting; 2% risk management audits; 28% special projects, including frequent risk retention analysis, captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, loss prevention audits, accounting system analysis, loss settlement assistance, quantitative analysis and statistical forecasting, designing risk management information systems, property loss control engineering, infrared thermographic analysis; occasional claims auditing, assessment of broker service and remuneration, risk management organization studies; 40% other services, including captive management fees.

**Locations:** American Risk Management Inc., Cleveland and 12 other locations; International Risk Management Ltd., Hamilton, Bermuda; European Risk Management Ltd., Weybridge, England; Transnational Risk Management Ltd., Georgetown, Grand Cayman, British West Indies; Universal Management Ltd., Shannon, Ireland; Transnational Ltd., St. Peter Port, Guernsey; Transnational Risk Management (IOM) Ltd., Isle of Man; 15 loss control offices in the United States, Canada and England.

**Staff:** 400 total staff; 300 professional staff members. Professional designations held by staff include 20 CPCUs, 20 ARMs, five MBAs, five attorneys, 65 property loss control consultants, 30 CPAs.

**Clients:** 150 total clients; 1% with risk and insurance budgets under \$1 million; 40% \$1 million-\$5 million; 45% \$5 million-\$10 million; 10% \$10 million-\$25 million, 4% exceeding \$25 million. Minimum size client, \$1 million risk and insurance budget.

**Compensation:** By the hour: principal consultant, \$200; junior consultant, \$75; consultant, \$150; clerical services included.

**1984 gross revenues:** Not reported.

**Principal officers:** Fred M. Reiss, chairman/chief executive officer; Arthur H. Deters, chief operating officer/member of the group executive committee; Alan E. Chilvers, Bryan D. Murphy, William F. Nehls, John J. Ryan, William F. Sennett, MacVicker Snow and Donald Westmoreland, members of the executive committee.

### Risk Analysis & Management Corp.

1001 Craig Rd., Suite 260, St.  
Louis, Mo. 63146; 314-569-1740

**Year founded:** 1975.

**Independent.**

**Services provided:** 25% continuous consulting; 25% risk management audits; 25% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, assessment of broker service and remuneration, risk management organization studies, preparation of specifications for bidding; occasional captive feasibility studies, accounting system analysis, loss settlement assistance, quantitative analysis and statistical forecasting, designing risk management information systems; 25% other services, including litigation auditing and management, property appraisals.

**Locations:** Atlanta; Los Angeles.

**Staff:** 19 total staff; 12 professional staff members, including four principal consultants, seven consultants, one analyst. Professional designations held by staff include two CPCUs, one ARM, three MBAs, one CSP, three attorneys, one PhD, one PE.

**Clients:** 200 total clients; 75% with risk and insurance budgets under \$1 million; 17% \$1 million-\$5 million; 5% \$5 million-\$10 million; 2% \$10-\$25 million.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$105-\$135; senior consultant, \$75-\$95; consultant, \$58-\$65; clerical, \$25.

**1984 gross revenues:** \$800,000 generated by risk management consulting, \$1.05 million total.

**Principal officers:** Harry J. Maue, J. William Rush, Leo Kiebal and Steven R. Webber, principal consultants.

### Risk Consultants

1571 Race St., Denver, Colo.  
80206; 303-388-5688

**Year founded:** 1976.

**Independent.**

**Services provided:** 60% continuous consulting; 25% risk management audits; 15% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, accounting system analysis, loss settlement assistance, preparation of specifications for bidding, quantitative analysis and statistical forecasting, design and implementation of self-insurance pools, association safety group plans, paid loss retrospective plans, analysis, design and implementation of insurance profit center programs for banks and corporate clients; occasional loss prevention audits, assessment of broker service and remuneration, risk management organization studies, designing risk management information systems.

**Staff:** Six total staff, including one principal consultant, two consultants, one analyst. Professional designations

held by staff include three ARMs, one CIC.

**Clients:** 40 total clients; 60% with risk and insurance budgets under \$1 million; 22.5% \$1 million-\$5 million; 7.5% \$5 million-\$10 million. No minimum size client by risk and insurance budget; \$500 minimum fee.

**Compensation:** By the hour: principal consultant, \$100; junior consultant, \$70; consultant, \$50; clerical, \$20.

**1984 gross revenues:** Not reported.

**Principal officers:** Michael Murphy, principal consultant; Joe Arck, senior consultant; Dorothy Stevens, consultant; Frank Crowe, risk analyst.

**Membership:** SRMC.

### Risk Consultants Inc.

607 Plaza, P.O. Box 251,  
Sheboygan, Wis. 53081;  
414-457-7781

**Year founded:** 1970.

**Parent company:** First Interstate Corp. of Wisconsin.

**Services provided:** 80% continuous consulting; 15% risk management audits; 5% special projects, including insurance contract analysis, claims auditing, loss prevention audits, loss settle-

ment assistance, preparation of specifications for bidding.

**Locations:** Manitowoc, Sheboygan Falls and Plymouth, Wis.

**Staff:** Five total staff; three professional staff members, including two principal consultants, one consultant. Professional designations held by staff include two CPCUs, one ARM, one CLU.

**Clients:** Total clients not reported; 100% with risk and insurance budgets under \$1 million. Minimum size client, \$50,000 risk and insurance budget.

**Compensation:** By the hour: principal consultant, \$60; consultant, \$50; clerical services included.

**1984 gross revenues:** \$60,000 generated from risk management consulting; \$80,000 total.

**Principal officers:** Edwin W. Storer, president; Donald E. Huber, vp.

### Risk Control Inc.

216 Water St., Excelsior, Minn.  
55331; 612-474-5204

**Year founded:** 1977.

**Independent.**

**Services provided:** 60% continuous consulting; 20% risk management

audits; 20% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, loss prevention audits, assessment of broker service and remuneration, loss settlement assistance, risk management organization studies, preparation of specifications for bidding; occasional claims auditing, accounting system analysis, quantitative analysis and statistical forecasting, designing risk management information systems.

**Locations:** St. Cloud, Minn.

**Staff:** Five total staff; three professional staff members, including one principal consultant, two consultants. Professional designations held by staff include two MBAs, one CIC.

**Clients:** Total clients not reported; 85% with risk and insurance budgets under \$1 million; 15% \$1 million-\$5 million.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$95; junior consultant, \$45; consultant, \$65; clerical, \$14.

**1984 gross revenues:** Not reported.

Continued on following page



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Director of International Personnel Services  
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Brookfield, Wisconsin 53005-0069, (414) 786-6700

*Continued from preceding page*  
**Principal officers:** Jerry L. Brecke, president.  
**Membership:** SRMC.

## Risk Control Strategies Inc.

170 Great Neck Road, Great Neck, N.Y. 11021; 516-466-0750

**Year founded:** 1982.

**Parent company:** Leonard R. Friedman Risk Management Inc.

**Services provided:** 100% special projects, including frequent claims auditing loss prevention audits, loss settlement assistance, serving as accident prevention and claims management department; occasional risk retention analysis (including self-insurance studies), assessment of broker service and remuneration, risk management organization studies.

**Specialty:** Retail and manufacturing.  
**Staff:** Three total staff; two professional staff members, including one principal consultant, one consultant.

**Clients:** 10 total clients; 100% with risk and insurance budgets under \$1 million.

**Compensation:** By the project, on retainer.

**1984 gross revenues:** Not reported.  
**Principal officers:** Susan Kaufman, president.

## Risk Control (Technical Services) Ltd.

Debmarc House, 193 London Road, Staines, Middlesex, England TW18 4HR; 7-845-6431

**Year founded:** 1984.

**Independent.**

**Services provided:** 10% continuous consulting; 10% risk management audits; 30% special projects, including frequent risk management organization studies, quantitative analysis and statistical forecasting; occasional risk retention analysis (including self-insurance studies), captive feasibility studies, insurance contract analysis, claims auditing, loss prevention audits, assessment of broker service and remuneration; 50% other services, including reinsurance brokerage, underwriting run-off management.

**Specialty:** Small and medium-size clients based in England that are considering incorporation of an association captive.

**Staff:** One total staff member who is a principal consultant and holds FCII and ACIA designations.

**Clients:** 1985 projection: 75% of clients with risk and insurance budgets under \$1 million; 25% \$1 million-\$5 million. No minimum size client.

**Compensation:** By the project; on retainer; by the hour: \$39.20-\$61.60.

**1984 gross revenues:** Not reported.  
**Principal officers:** John E. Loscombe, managing director.

## Risk Management Advisers Inc.

5252 Balboa Arms Drive, Suite 144, San Diego, Calif. 92117; 619-569-6693

**Year founded:** 1982.

**Independent.**

**Services provided:** 10% continuous consulting; 40% risk management audits; 50% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, assessment of broker service and remuneration, preparation of specifications for bidding; occasional risk retention analysis (including self-insurance studies), loss prevention audits, loss settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting.

**Staff:** One staff member who is a principal consultant and holds CPCU, ARM, CLU, CIC, ChFC, AAI and CPIA designations.

**Clients:** 25 total clients; 100% with risk and insurance budgets under \$1 million. No minimum size client.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$100.

**1984 gross revenues:** Approximately \$30,000 total, all of which is generated by risk management consulting.

**Principal officers:** Edward A. Whitney.

## Risk Management Associates

Executive Suite, 150 Speen St., Framingham, Mass. 01701; 617-875-8030

**Year founded:** 1972.

**Independent.**

**Services provided:** 95% continuous consulting; 5% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, accounting system analysis, assessment of broker service and remuneration, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, designing risk management information systems, association risk management programs, surety programs for the construction industry.

**Specialty:** Construction industry.  
**Staff:** Three total staff members, including one principal consultant, one

analyst. Professional designations held by staff include one FCAS.

**Clients:** Total clients not reported; 100% with risk and insurance budgets under \$1 million.

**Compensation:** By the hour.  
**1984 gross revenues:** Not reported.  
**Principal officers:** Edward V. Harding Jr., principal consultant.

## Risk Management Consultants Inc.

1700 Sunset Ridge Drive, Suite 100, Laguna Hills, Calif. 92651; 714-494-4451

**Year founded:** 1977.

**Independent.**

**Services provided:** 20% continuous consulting; 60% risk management audits; 20% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies; occasional analysis of necessary insurance limits, insurance contract analysis, accounting system analysis, assessment of broker service and remuneration, loss settlement assistance, risk management organization studies, preparation of specifications for bidding.

**Staff:** Two total staff members, including one principal consultant. Professional designations held by staff include one CPCU, one ARM.

**Clients:** 20 total clients; 5% with risk and insurance budgets under \$1 million; 80% \$1 million-\$5 million; 10% \$5 million-\$10 million; 5% \$10 million-\$25 million.

**Compensation:** By the project; by the hour: principal consultant, \$100; clerical, \$25.

**1984 gross revenues:** \$75,000 generated by risk management consulting.

**Principal officers:** William S. Mortimer, president.

## Risk Management Inc.

5101 Minnaqua Drive, Golden Valley, Minn. 55422; 612-373-5356/529-5627

**Year founded:** 1978.

**Independent.**

**Services provided:** 10% continuous consulting; 60% risk management audits; 20% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, assessment of broker service and remuneration, preparation of specifications for bidding; occasional risk retention analysis (including self-insurance studies), claims auditing, loss prevention audits, accounting system analysis, loss settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting; 10% other services, including serving as an expert witness.

**Specialty:** Banks, health maintenance organizations, manufacturing, high technology biomedical.

*Continued on facing page*

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Continued from facing page

**Staff:** Eight total staff members, including three principal consultants, three consultants, two analysts. Professional designations held by staff include two CPCUs, one ARM, two MBAs, one CSP, one ACAS, one CLU, two attorneys, two PhDs, one ALCM.

**Clients:** 60 total clients; 95% with risk and insurance budgets under \$1 million; 5% \$1 million-\$5 million. Minimum size client, \$50,000 risk and insurance budget.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$125; junior consultant, \$100; consultant, \$80; clerical, \$25.

**1984 gross revenues:** Not reported.

**Principal officers:** Andrew F. Whitman, president; Susan J. Whitman, secretary/treasurer.

**Risk Management Service Co.**

2730 Stemmons Freeway, 209 Stemmons Tower West, Dallas, Texas 75207; 214-630-3730

**Year founded:** 1973.

**Parent company:** Lindsey & Newsum.

**Services provided:** 10% continuous consulting; 10% risk management audits; 30% special projects, including frequent claims auditing, designing risk management information systems, medical cost-containment audits; occasional risk retention analysis (including self-insurance studies), loss prevention audits, accounting system analysis, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, litigation management studies, coverage dispute assistance; 50% other services, including claims administration, data processing, loss control, recovery services, cost-containment programs.

**Specialty:** Municipalities, trucking, retail, self-insured entities.

**Locations:** 45 locations throughout the southwestern United States.

**Staff:** 12 total staff; seven professional staff members, including one principal consultant, six consultants.

**Clients:** 106 total clients; 98% with risk and insurance budgets under \$1 million; 1% \$1 million-\$5 million; 1% exceeding \$25 million. No minimum size client.

**Compensation:** By the project; commissions for insurance placed with underwriters; on retainer; by the hour: principal consultant, \$75; junior consultant, \$50; consultant, \$35; clerical, \$20.

**1984 gross revenues:** Not reported.

**Principal officers:** Bob Irwin, president; Terry Grant, vp; Andrew Cmiel, director.

**Risk Planning Group Inc.**

722 Post Road, Darien, Conn. 06820; 203-655-9791

See listing for: Tillinghast, Nelson & Warren Inc.

**Risk Science International**

1101 30th St. N.W., Suite 103, Washington, D.C. 20007; 202-342-2206

**Year founded:** 1981.

**Parent company:** Frank B. Hall & Co. Inc.

**Services provided:** 10% continuous consulting; 50% special projects, including frequent environmental risk assessments, environmental audits, merger and acquisition audits; 40% other services, including remedial cleanup plans, environmental claims technical support.

**Specialty:** Financial institutions, electronics and chemical industries.

**Staff:** 21 total staff; 16 professional staff members, including two principal consultants, 13 consultants, one analyst. Professional designations held by staff include 14 MSs, five PhDs.

**Clients:** Total clients not reported.

**Compensation:** By the project.

**1984 gross revenues:** \$1.1 million total.

**Principal officers:** Lynne M. Miller, president; Michael J. Murphy, chief operating officer.

**Risk Sciences Group Inc.**

900 Bridgeway, Sausalito, Calif. 94965; 415-331-5900

**Year founded:** 1978.

**Parent company:** Crawford & Co.

**Services provided:** 10% continuous consulting; 40% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary

insurance limits, accounting system analysis, preparation of specifications for bidding, quantitative analysis and statistical forecasting, designing risk management information systems, ultimate and IBNR loss reserve analysis, tax accounting strategy formulation, design and implementation of premium/loss allocation systems, estimation of liquidation value of unfunded insurance liabilities; occasional loss prevention audits, risk management organization studies; 50% other services.

**Specialty:** Multinational/multi-industry companies such as conglomerates, retail, food service, consumer products.

**Locations:** New York, Atlanta.

**Staff:** 70 total staff; 51 professional staff members, including eight principal consultants, 18 consultants, 25 analysts. Professional designations held by staff include one CPCU, five MBAs, one attorney.

**Clients:** More than 400 total clients; 10% with risk and insurance budgets under \$1 million; 15% \$1 million-\$5 million; 15% \$5 million-\$10 million; 30% \$10 million-\$25 million; 30% exceeding \$25 million. No minimum size client.

**Compensation:** By the project; on re-

tainer; by the hour: principal consultant, \$105-\$190; junior consultant, \$80-\$105; consultant, \$50-\$80; clerical, \$25-\$40.

**1984 gross revenues:** \$1.65 million generated by risk management consulting, \$3.3 million total.

**Principal officers:** Joseph A. Destein, president; Richard F. Denning, executive vp; John W. Huecksteadt, vp-computer operations; Dennis M. Aarom, Andrew R. Daniels, Betina K. Gill, Leo Jeffers and Danny S. Lee, vps.

**Rollins Burdick Hunter Co. Risk Management Services Group**

10 S. Riverside Plaza, Chicago, Ill. 60606; 312-559-2211

**Year founded:** 1898.

**Parent company:** Combined International Corp.

**Services provided:** 50% continuous consulting; 20% risk management audits; 30% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract

analysis, claims auditing, loss prevention audits, accounting system analysis, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, designing risk management information systems, cost of risk distribution studies, customized safety education programs, safety program design, structured settlements; occasional assessment of broker service and remuneration.

**Specialty:** Hi-tech, heavy manufacturing, industry, health care providers, food processors.

**Locations:** 50 offices nationwide.

**Staff:** 50 professional staff; 35 professional staff members. Professional designations held by staff include four CPCUs, four ARMs, three MBAs, one FCAS, five CSPs, one ACAS, five CHCMs.

**Clients:** Total clients not reported; 5% with risk and insurance budgets under \$1 million; 15% \$1 million-\$5 million; 40% \$5 million-\$10 million; 35% \$10 million-\$25 million; 5% exceeding \$25 million.

**Compensation:** By the project, commissions for insurance placed with un-

derwriters, by the hour.

**1984 gross revenues:** Not reported.

**Principal officers:** R. David Turner, vp; Gary Spirduso, second vp; Charles Kelly, Milford Yount and William Berglund, assistant vps.

**Rupp & Johnson Inc.**

4141 MacArthur Blvd., Suite 200, Newport Beach, Calif. 92660; 714-851-3070

**Year founded:** 1984.

**Independent.**

**Services provided:** 10% continuous consulting; 10% risk management audits; 40% special projects, including frequent risk retention analysis (including self-insurance studies), captive

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feasibility studies, claims auditing, preparation of specifications for bidding, quantitative analysis and statistical forecasting, serving as risk management information brokers, specific assignment research; occasional analysis of necessary insurance limits, insurance contract analysis, loss prevention audits, loss settlement assistance, risk management organization studies, designing risk management information systems; 40% other services, including publication of risk management materials, consulting for commercial insurers.

**Specialty:** Doctors' medical malpractice, automobile dealers and leasing firms, public entities, hospitals and clinics, credit unions, banks, savings and loans.

**Staff:** Five total staff members, including two consultants, one analyst. Six part-time associate consultants also provide services. Professional designations held by staff include one CPCU, one ARM.

**Clients:** Total clients not reported.  
**Compensation:** By the project; on retainer; by the hour: principal consultant, \$100; consultant, \$50-\$85; clerical, \$50.

**1984 gross revenues:** March 1-Oct. 3, 1984: \$58,800 generated by risk management consulting, \$98,000 total.

**Principal officers:** Richard V. Rupp, president; Fredric T. Johnson, vp.

## S

### SU Insurance Program Management Inc.

4669 N. Port Washington Road, Milwaukee, Wis. 53212; 414-964-9910 in Wisconsin, 800-558-9910 in other states

**Year founded:** 1983.

**Parent company:** Specialty Underwriters Group.

**Services provided:** 75% continuous consulting; 15% risk management audits; 10% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, risk management organization studies, preparation of specifications for bidding, designing risk management information systems; occasional risk retention analysis (including self-insurance studies), captive feasibility studies, claims auditing, loss prevention audits, assessment of broker service and remuneration, loss settlement assistance,

quantitative analysis and statistical forecasting.

**Specialty:** Institutions, municipalities, manufacturing, construction.

**Staff:** Five total staff; three professional staff members. Professional designations held by staff include two CPCUs, one ARM, one MBA.

**Clients:** 30 total clients; 83% with risk and insurance budgets less than \$1 million; 10% \$1 million-\$5 million; 7% \$5 million-\$10 million. No minimum size client.

**Compensation:** By the project; by the hour: principal consultant, \$95; junior consultant, \$65-\$95.

**1984 gross revenues:** \$250,000 total, all generated by risk management consulting.

**Principal officers:** Greig K. Forrest, president; Patrick R. Parrish and Daniel J. Sapiro, vps.

### E.W. Siver & Associates Inc.

9400 Fourth St. N., P.O. Box 21343, St. Petersburg, Fla. 33742; 813-557-2780

**Year founded:** 1970.

**Independent.**

**Services provided:** 33 1/3% continuous consulting; 33 1/3% risk management audits; 33 1/3% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, loss settlement assistance, preparation of specifications for bidding; occasional captive feasibility studies, claims auditing, loss prevention audits, accounting system analysis, assessment of broker service and remuneration, risk management organization studies, quantitative analysis and statistical forecasting, designing risk management information systems.

**Staff:** 15 total staff; nine professional staff members, including five principal consultants, four consultants. Professional designations held by staff include five CPCUs, two ARMs, three CLUs, one ChFC, one attorney.

**Clients:** 50 total clients; 60% with risk and insurance budgets under \$1 million; 25% \$1 million-\$5 million; 10% \$5 million-\$10 million; 5% \$10 million-\$25 million.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$100; junior consultant, \$75; consultant, \$60; clerical, \$25.

**1984 gross revenues:** Not reported.

**Principal officers:** Edward W. Siver, president; Robert I. Siver, vp/treasurer; James Marshall Jr.

### Richard H. Soper Inc.

7911 Herschel Ave., Suite 208, La Jolla, Calif. 92037; 619-456-0505

**Year founded:** 1982.

**Independent.**

**Services provided:** 50% continuous

consulting; 10% risk management audits; 40% special projects, including risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, assessment of broker service and remuneration, designing risk management information systems, crisis management (developing and implementing systems designed to prepare for and handle emergency occurrences.)

**Specialty:** Retail, wholesale distribution, manufacturing, architects, engineers.

**Staff:** Three total staff; three professional staff members, including one principal consultant, two analysts. Professional designations held by staff include one CSP, one SFPE.

**Clients:** 15 total clients; 33% with risk and insurance budgets under \$1 million; 40% \$1 million-\$5 million; 7% \$5 million-\$10 million; 7% \$10 million-\$25 million; 13% exceeding \$25 million. No minimum size client.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$125; consultant (computer science analyst), \$70; clerical (program coordinator, word processor), \$25.

**1984 gross revenues:** Not reported.

**Principal officers:** Richard H. Soper, president; Cynthia Ann Butler, secretary.

### Everett W. Stark & Co.-Consulting Division

333 Market St., Suite 800, San Francisco, Calif. 94105; 415-421-1492

**Year founded:** 1982.

**Parent company:** Everett W. Stark & Co.

**Services provided:** 10% risk management audits; 90% special projects, including frequent insurance contract analysis, expert witness (coverage questions and policy interpretation), surety bonding needs; occasional risk retention analysis (including self-insurance studies), captive feasibility studies, loss settlement assistance, quantitative analysis and statistical forecasting.

**Specialty:** Construction industry.

**Staff:** Two total staff members who are principal consultants. Professional designations held by staff include one CPCU, one MBA.

**Clients:** 15 total clients; 100% with risk and insurance budgets under \$1 million.

**Compensation:** By the project; by the hour: principal consultant, \$105-\$115.

**1984 gross revenues:** Approximately \$25,000 generated by risk management consulting.

**Principal officers:** Scott M. Sanderson, general manager; James E. Stark, surety consultant.

Continued on facing page

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**T****Tillinghast, Nelson & Warren Inc.**

Tower Place, 3340 Peachtree Road N.E., Suite 2000, Atlanta, Ga. 30026-4301

**Year founded:** 1946.

**Independent.**

**Services provided:** 2.5% continuous consulting; 3.5% risk management audits; 4% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, assessment of broker service and remuneration, loss prevention assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and forecasting, designing risk management information systems, captive strategic planning, governmental pool feasibility analysis of operations, strategy reviews; 90% other services.

**Locations:** Boston; Dallas; Darien, Conn.; Los Angeles; New York; St. Louis.

**Staff:** 47 total staff members, including 19 principal consultants, five consultants, 10 analysts. Professional designations held by staff include four CPCUs, seven ARMs, two MBAs.

**Clients:** 350 total clients; 35% with risk and insurance budgets under \$1 million; 20% \$1 million-\$5 million; 20% \$5 million-\$10 million; 15% \$10 million-\$25 million; 10% exceeding \$25 million. No minimum size client.

**Compensation:** By the hour: principal consultant, \$120-\$200; junior consultant, \$60-\$85; consultant, \$85-\$120; clerical, \$20-\$40.

**1984 gross revenues:** More than \$4 million generated by risk management consulting, \$40 million total.

**Principal officers:** George M. Betterley, Mitchell Cole, H. Felix Kloman, Charles R. Lee, Hugh D. Rosenbaum, Rodney Smith, Charles T. Tagman Jr.  
**Membership:** SRMC.

**Independent.**

**Services provided:** 2% continuous consulting; 4% risk management audits; 4% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, assessment of broker service and remuneration, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional accounting system analysis, designing risk management information systems; 90% other services, including general management and actuarial consulting to life and property/casualty insurance industry.

**Locations:** 37 consulting offices in the United States, Canada, Latin America, Europe, Australia and Far East. Insurance Consulting Services Unit staff located in offices in Atlanta; Chicago; Minneapolis; Milwaukee, Wis.; Philadelphia; Toronto.

**Staff:** Insurance Consulting Services Unit: 46 total staff; 36 professional staff members, including eight principal consultants, 22 consultants, six analysts. Professional designations held by staff include one CPCU, five MBAs, three FCASs, two ACASs, two CLUs, two PhDs, one attorney, 12 FSAs.

**Clients:** 175 total clients. No minimum size client.

**Compensation:** By the hour.  
**1984 gross revenues:** \$600,000-\$700,000 generated by risk management consulting, \$6 million total for Insurance Consulting Services Unit.

**Principal officers:** Quentin I. Smith Jr., chairman; Richard T. Delaney, vp/manager-property & casualty & risk management consulting; James E. Kielley, president; Robert D. Shapiro, vp/manager-life insurance consulting; Frank J. Cacchione Jr., vp-property & casualty & risk management consulting.

cluding self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, accounting system analysis, assessment of broker service and remuneration, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, rate/premium analysis including retroactive design and analysis, property valuation estimates; occasional captive feasibility studies, claims auditing, loss prevention audits, quantitative analysis and statistical forecasting, designing risk management information systems.

**Staff:** Three total staff; one professional staff member who is a principal consultant. Professional designations held by staff include IIA-General Insurance.

**Clients:** 27 total clients; 100% with risk and insurance budgets under \$1 million. No minimum size client.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$70 clerical, \$15.

**1984 gross revenues:** Not reported.

**Principal officers:** Brian L. Briese, president.

**W****WEB Insurance Consultants Inc.**

50 Galesi Drive, Wayne, N.J. 07470; 201-785-9066

**Year founded:** 1981.

**Independent.**

**Services provided:** 85% continuous consulting; 10% risk management audits. 5% special projects, including occasional loss settlement assistance, preparation of specifications for bidding.

*Continued on following page*

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Continued from preceding page

**Staff:** Six total staff; three professional staff members, including one principal consultant, one consultant, one analyst.

**Clients:** Total clients not reported; 80% with risk and insurance budgets under \$1 million; 20% \$1 million-\$5 million. No minimum size client.

**Compensation:** By the project, on retainer, by the hour.

**1984 gross revenues:** Not reported.

**Principal officers:** William Brengel, president.

**Membership:** SRMC.

### David Warren

58 Diablo View Drive, Orinda, Calif. 94563; 415-254-9472

**Year founded:** 1979.  
**Independent.**

**Services provided:** 70% risk management audits; 25% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, assessment of broker service and remuneration, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, designing risk management information systems; occasional captive feasibility studies, accounting system analysis, loss settlement assistance; 5% other services, including publication of "The Warren Report."

**Staff:** One total staff member who holds a CPCU designation.

**Clients:** Total clients not reported; 30% with risk and insurance budgets under \$1 million; 30% \$1 million-\$5 million; 20% \$5 million-\$10 million; 10% \$10 million-\$25 million; 10% exceeding \$25 million. No minimum size client.

**Compensation:** By the project; by the hour: principal consultant, \$25.

**1984 gross revenues:** Not reported.

**Principal officers:** David Warren.

**Membership:** SRMC.

### Warren, McVeigh & Griffin Inc. & Subsidiary Cos.

1420 Bristol St. N., Newport Beach, Calif. 92660; 714-752-1058

**Year founded:** 1968.

**Independent.**

**Services provided:** 30% continuous consulting; 30% risk management audits; 19% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, assessment of broker service and remuneration, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, occasional captive feasibility studies, loss prevention audits, accounting system analysis, loss settlement assistance, designing risk management information systems; 21% other services, including publishing, employee benefits consulting.

**Specialties:** Corporations, public entities, hospitals.

**Locations:** San Francisco.

**Staff:** 20 total staff; 15 professional staff members, including five principal consultants, seven consultants, three analysts. Professional designations held by staff include five CPCUs, five ARMs, three MBAs, one FCAS, two attorneys, one PE, two FIICs, two FCIAAs.

**Clients:** 150 total clients; 20% with risk and insurance budgets under \$1 million; 75% \$1 million-\$25 million; 5% exceeding \$25 million. No minimum size client.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$125-\$165; junior consultant, \$50-\$75; consultant, \$80-\$100; clerical, \$20-\$30.

**1984 gross revenues:** \$1,596,259 generated by risk management consulting, \$2,031,646 total.

**Principal officers:** C.C. Griffin, president; Erin A. Oberly, senior vp; Robert Wilkinson, vp.

**Membership:** SRMC.

### Waters Risk Management

7110 Augusta Blvd. N., Seminole, Fla. 33543-3812; 813-397-8665

**Year founded:** 1978.  
**Independent.**

**Services provided:** 47.5% continuous consulting; 19% risk management audits; 28.5% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, assessment of broker service and remuneration, risk management organization studies, preparation of specifications for bidding; occasional accounting system analysis, loss settlement assistance, quantitative analysis and statistical forecasting, designing risk management information systems; 5% other services, including teaching, seminars.

**Specialty:** Government entities.

**Staff:** Three total staff; one professional staff member who is a principal consultant and has CPCU, ARM and CLU designations.

**Clients:** 35 total clients; 85% with risk and insurance budgets under \$1 million; 15% \$1 million-\$5 million. No minimum size client.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$90; clerical, \$15.

**1984 gross revenues:** Not reported.

**Principal officers:** Allan Paul Waters, principal.

**Membership:** SRMC.

### The Wyatt Co.-Risk Management Consulting Division

233 S. Wacker Dr., Suite 5600, Chicago, Ill. 60606; 312-876-2000

**Year founded:** 1942.  
**Independent.**

**Services provided:** .7% continuous consulting; .6% risk management audits; .7% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, assessment of broker service and remuneration, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, special industry surveys, special exposure analysis, evaluation of loss reserves; occasional loss prevention audits, accounting system analysis, loss settlement assistance, designing risk management information systems; 98% other services.

**Specialty:** Health care institutions, government entities, financial institutions, industries, utilities.

**Locations:** Risk Management Consulting Division offices in Dallas; Detroit; Montreal; San Francisco; Toronto; Vancouver, British Columbia; Washington, D.C.

**Staff:** 42 total staff; 32 professional staff members, including six actuaries, 23 consultants, three analysts. Professional designations held by staff include 12 CPCUs, six ARMs, eight MBAs, one FCAS, four ACASs, one CLU, four attorneys, one PE, two FIICs, two FCIAAs.

**Clients:** 550 total clients. No minimum size client.

**Compensation:** By the hour: consultant, \$60-\$200; actuarial, \$100-\$180; analyst, \$30-\$60; actuarial assistant, \$30-\$60; clerical, \$30-\$50.

**1984 gross revenues:** \$3.65 million generated by risk management consulting, \$142 million total.

**Principal officers:** Warren G. Brockmeier, vp-Chicago; Edgar W. Armstrong, manager-Washington risk management; Henry P. Devlin, manager-Detroit risk management; Arthur E. Parry, manager-Dallas risk management; Thomas G. Briggan, manager-San Francisco risk management; Francis X. Tierney, manager-Toronto risk management; Frank Kingan, manager-Vancouver risk management.

**Membership:** SRMC.

## 3 named to N.Y. exchange board

NEW YORK—A former U.S. attorney general and two insurer executives are the new members of the New York Insurance Exchange's board of governors.

The board elected Nicholas deB. Katzenbach, senior vp and general counsel of IBM Corp. and attorney general under President Lyndon Johnson; John H. Bretherick Jr., president of The Continental Corp.; and John J. Byrne, chairman and chief

executive officer of GEICO Corp.

The new members fill the vacancies created by the retirements of Carter L. Burgess, former chairman of Foreign Policy Assn.; Harold J. Hudson Jr., vice chairman of the New York exchange and former chairman and chief executive officer of General Reinsurance Corp.; and B.P. Russell, former chairman and chief executive officer of Crum & Forster Inc.

# Cover disputed for asbestos property claims

Continued from page 1  
provide coverage.

Some insurers, on the other hand, contend they do not have to provide coverage for these claims under the language of their comprehensive general liability policies. And, if courts eventually decide the insurers must provide coverage, the insurers say the coverage trigger would be limited to either the installation of the material or its discovery or removal.

So far, there have been no judgments in either the underlying property damage litigation or the subsequent coverage litigation, which is why little attention has been paid to this portion of the asbestos litigation crisis.

But, observers say that if large settlements or court judgments are reached in the underlying litigation, the resulting coverage litigation will heat up, and the coverage litigation over the property damage claims will rival that stemming from the bodily injury lawsuits.

"Insureds and insurance companies are repeating past history," says James J. Restivo, an outside counsel for Pittsburgh-Corning Corp. with the Pittsburgh firm of Reed Smith Shaw & McClay.

"Unless it is resolved by negotiation, it is inevitable we will have a repeat of litigation," said an attorney for a major insurer who asked not to be identified.

So far, insurers are generally defending asbestos producers in the property damage litigation under a reservation of rights, in part because of the broad responsibility that insurers have for providing defense coverage.

"We are working with our carriers," says a general counsel for one producer in the litigation who asked not to be identified. "There's somewhat more flexibility on the part of carriers to pick up the defense of cases" in the property coverage litigation than in the personal injury coverage litigation.

"Right now we are being defended in the building cases litigation," says David Steuber, an attorney for GAF Corp. with the Los Angeles firm of Paul, Hastings Janofsky & Walker.

Mr. Steuber adds that neither insurers nor producers want this coverage dispute to grow into the massive litigation that has accompanied the personal injury suits.

"Right now, it's a very tender, sensitive alliance," he says.

How long the alliance may last, however, will likely depend on the results of the underlying litigation since asbestos defendants and their liability insurers are completely at odds over coverage for property damage claims.

The insurers claim that indemnification for property damage cases involves novel issues that are different from the disputes over coverage for bodily injury claims.

General liability policies state insurers are required "to pay on behalf of the insured all sums which the insured shall become legally obligated to pay as damages because of bodily injury or property damage... caused by an occurrence."

The policies define property damage as:

- "Physical injury to or destruction of tangible property that occurs during the policy period, including the loss of use thereof at any time resulting therefrom."

- "Loss of use of tangible property that has not been physically injured or destroyed..."

The insurers argue, among other things, no property damage has occurred in the plaintiffs' buildings under these definitions. Thus, the insurers contend, they are not required to provide coverage.

John C. Sullivan, an attorney for

insurers with the Philadelphia firm of Frumkin & Manta, explains that many of the underlying claims contend that because asbestos was installed in a building, the building has been contaminated and there is a potential threat to people who work or study in the building.

"Is this threat to users a physical injury to the building? My answer would be no," Mr. Sullivan says.

And, if a school district inspects a building to comply with government regulations and does not discover any friable—or flaking— asbestos, "We don't see where the property damage is," adds Timothy Russell, an attorney for American Motorists Insurance Co., a Kemper Group unit that is among the insurers currently litigating with Chicago-based United States Gypsum Co. over property claim coverage.

Even if friable asbestos is found, there may not be property damage based on certain policy exclusions, Mr. Russell adds.

But, Jerold Oshinsky, an attorney for several policyholders in the coverage litigation, says the definition of property damage in the policies includes the damage alleged by the school districts.

The buildings' value has decreased because they contain asbestos and districts have suffered an economic loss, he says, adding an extensive body of case law exists to indicate those criteria are enough to prove property damage.

Also, in cases in which school districts merely inspect for—but do not find— asbestos, Mr. Oshinsky says insurers should pay the school districts' inspection costs if the districts are allowed to recover those

costs from the asbestos producers.

Some observers note the most important issue in the coverage litigation will be not whether property damage has occurred but when the loss is said to have occurred and when coverage is triggered.

Like coverage litigation stemming from bodily injury claims, asbestos producers and their insurers are divided over when the alleged property damage is triggered.

Some insurers contend the damage occurred when the asbestos material was installed. That contention is similar to the so-called exposure theory used in the bodily injury coverage litigation, which says that coverage is triggered when an asbestos victim is exposed to the substance.

Other insurers argue that property damage occurred when the as-

bestos was subsequently discovered or removed. That corresponds with the manifestation theory in the bodily injury litigation, which says an asbestos injury occurs when the injury manifests itself in a victim.

Finally, most policyholders believe that all policies from the date of the installation of asbestos through the time the asbestos was discovered or removed should provide coverage. That's similar to the coverage theory espoused in 1981 in *Keene Corp. vs. Insurance Co. of North America*.

The parties involved in the litigation note that courts could differ in their decisions.

"The question of what triggers coverage depends upon how the court construes property damage," says Mr. Sullivan. "If the court says

Continued on next page

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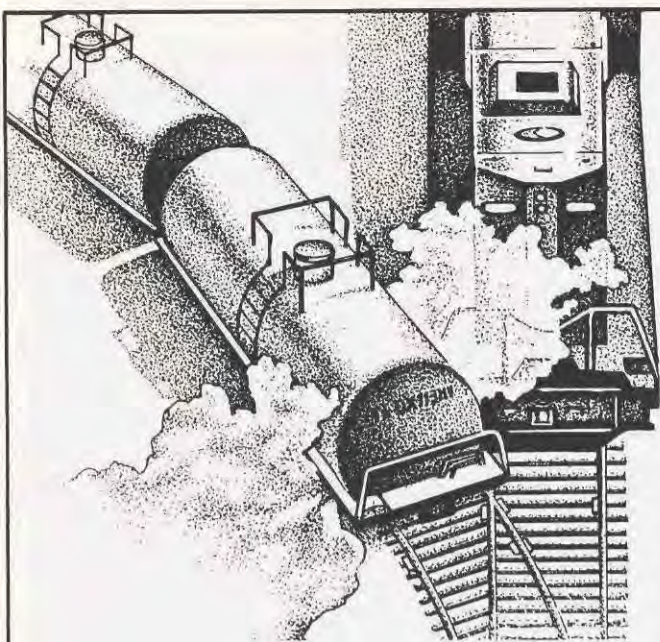
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## Asbestos cover

*Continued from preceding page*  
ripping out the walls constitutes property damage, the court may find that only the carrier on the risk at that time is responsible."

Mr. Russell, the American Motorists attorney with the Washington firm of Drinker Biddle & Reath, contends the majority rule for cases dealing with latent property damage is that coverage, if any, is triggered at the date of discovery.

Meanwhile, insurers like Travelers Corp. believe that coverage is available at the time of installation of asbestos.

Travelers Vp Floyd Knowlton contends a school building may be damaged when the asbestos was put in the building. Friable asbestos would not be considered damage but only a symptom of the damage, he argues.

All insurers agree, however, that what has become known as the Keene decision is not applicable in the property damage litigation.

Insurers note the Keene decision was based on medical evidence that showed there is a continuing injury in asbestos disease victims from the time they were exposed to asbestos through manifestation of the disease. But, they add such evidence is not applicable to the property damage claims, where no living organism is involved.

"In general, the idea of continuing injury is not as likely to be involved in property damage cases as in the bodily injury cases," says Richard Schmalz, former general counsel and now a consultant to Hartford Insurance Group in Hartford, Conn.

"This may tend to limit coverage to either the policy in effect when the building was put into service or when the property damage was discovered," says Mr. Schmalz.

"I don't think that the broad band of coverage necessarily follows in the property damage area," adds John F. Shea, vp and claims counsel for Aetna Casualty & Surety Co., in Hartford.

Policyholders, however, argue there is a continuous damage from or deterioration of asbestos material from the time of its installation through the date of discovery or removal. All insurers on the risk during that interval should be liable, they contend.

GAF Corp., which is litigating its

coverage for property damage claims with Commercial Union Insurance Co. and other insurers in California, says each insurer on the risk from the time at which "any damage, destruction, or loss is determined to have begun through the time it is completed is jointly and severally liable for the full amount of such damage, destruction or loss."

Mr. Oshinsky, representing other producers, adds that allegations contained in the underlying complaints by the school districts and prior case law show there is continuous property damage from the date of installation through discovery.

For example, property damage does not take place only when the asbestos is removed because the condition necessitating the removal is present before the removal occurs, says Mr. Oshinsky, with the Washington firm of Anderson Baker Kill & Olick.

The property damage "doesn't magically appear when the asbestos is ripped out," he says.

Moreover, Mr. Oshinsky says allegations in the underlying cases and the results of various studies describe the presence of friable asbestos as causing "continuous deterioration, continuous degradation or continuous loss of strength."

"Why isn't that an allegation of property damage?" he asks. "And why isn't that continuous property damage?"

Mr. Oshinsky says the Keene ruling also applies to the property damage cases because it is based on prior property damage decisions, even though the ruling itself applies to bodily injury claims. Also, insurers did not differentiate between property damage and bodily injury when they determined how coverage under the CGL policy would be triggered, he notes.

"They did not differentiate on trigger of coverage," he says.

However, a general counsel for a major asbestos defendant admits he finds it difficult to understand how the Keene decision applies to the property damage litigation.

"I think there's coverage" for asbestos producers, he says, but adds that either the date of installation or date of discovery is a more likely trigger than the Keene trigger.

He notes that more producers would prefer the date of installation as a trigger over the date of discovery because more coverage is

available under the earlier trigger.

Apart from the debate over the definition of property damage and when that damage occurs, insurers also contend they should not have to indemnify policyholders for property damage because of exclusions in the policies they sold to asbestos producers.

For example, in its litigation with United States Gypsum, now pending in Cook County Circuit Court in Chicago, American Motorists contends in court papers that its coverage excluded:

- "The cost of repairing or replacing any goods, products or completed work; (or) the loss of use of any such goods, products or completed work or to damage resulting from the loss of use. . ."

- "Injury or destruction of USG's products, including the loss of use of products or work completed by or for USG arising out of such products. . ."

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Mr. Oshinsky, however, discounts the arguments that such exclusions will apply in the property damage coverage disputes.

"None of these exclusions has any applicability whatsoever," he says, noting that courts generally have rejected such exclusions in other cases.

Notwithstanding the insurance dispute, some insurers are also saying they are willing to negotiate with their policyholders on the trigger of coverage.

"We're willing to compromise on the date of installation or date of discovery" as a trigger, says Travelers' Mr. Knowlton.

Aetna's Mr. Shea adds the company has not officially adopted a position.

Even if policyholders were able to choose between the date of installation or the date of discovery or removal as a coverage trigger, such a trigger could severely limit the cover available to the policyholders.

School districts, for example, did not begin inspecting and removing asbestos until just recently, when it was virtually impossible for asbestos producers to obtain coverage.

Under an installation trigger, many policyholders would again have limited coverage since some of the policies that would respond would be 40 years old and contain very low limits.

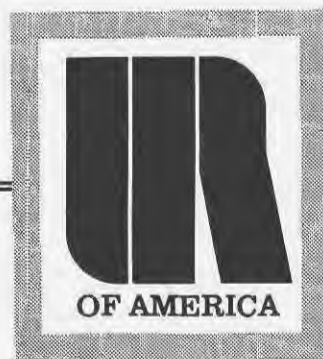
Even if policyholders do win broad coverage from their insurers for property damage claims, will they have enough liability coverage to pay the property claims after disposing of the personal injury claims they face?

Many policyholders have policies with combined limits for bodily injury and property damage claims. With thousands of bodily injury claims pending, the amount of coverage for property damage claims could depend on whether the property damage or personal injury claims are paid first, one insurer said.

However, some policies have individual limits for both property damage and bodily injury claims, which benefits policyholders because coverage for bodily injury claims remains separate.

Mr. Steuber said GAF has a "substantial number" of policies with separate limits for bodily injury and property damage.

Mr. Oshinsky adds that some policies with separate limits may not have aggregate limits. "There are policies that do not have aggregate limits," he says, pointing out that then only per-occurrence limits would apply. ■



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# Asbestos suits

Continued from page 1  
of the Columbia, S.C., firm of Richardson, Plowden, Grier & Howser.

"It is serious litigation," adds the corporate counsel for one defendant, who asked not to be identified.

The producers' worries over the property damage litigation are compounded by the fact that liability insurers are contesting coverage for property damage claims, just as they sometimes have denied coverage for personal injury claims (see story, page 1).

And, some speculate the personal injury claims may exhaust most of the coverage available to defendants for the property damage litigation.

So far, the producers are facing about 85 lawsuits filed by school districts and state and local governments that seek billions of dollars in compensatory and punitive damages.

One of the suits is a nationwide class action filed on behalf of all public and private schools in the country (see story, page 76).

However, Manville Corp. alone faces 3,500 property damage claims—which are technically not lawsuits—that are filed with a U.S. Bankruptcy Court in New York.

Manville, which filed for reorganization in 1982, faces many more property claims than other defendants at this time because plaintiffs were ordered by the bankruptcy court to file claims against Manville by Feb. 1. That deadline has since been extended for some plaintiffs.

"The flood of new lawsuits is increasing," say court papers filed recently by Grace, United States Gypsum Co. and National Gypsum Co. Inc., which, along with Manville, are major defendants in the property damage litigation.

"The court is all too aware that we are just now beginning to see in the school litigation the seeds of a forest potentially similar to the asbestos personal injury litigation with which the parties are all too familiar," the papers say.

Recent studies by the U.S. Environmental Protection Agency indicate as many as 31,000 school buildings contain some type of friable—or flaking— asbestos material that must be removed. The total cost to remove the material could reach \$3 billion, according to the study, and others have suggested even higher estimates.

The asbestos producers' problems do not stop with school buildings.

City, county and state governments are beginning to file suits against asbestos producers alleging property damage to their buildings, while some observers anticipate that homeowners and businesses will eventually follow suit.

As many as 700,000 government and commercial buildings contain asbestos, according to the EPA study. And, in Orange County, Calif., alone, some 200,000 homes may contain duct work containing asbestos, the EPA says.

Asbestos products were first installed in buildings shortly after World War II. Installation continued until the early 1970s, when the health hazards of asbestos became widely known.

An effective fire retardant, asbestos has been used in school buildings as insulation material and can be found in ceilings, walls, floors, pipes and boilers. It also was used for acoustical and thermal insulation and decorative purposes.

In mid-1982, the EPA began requiring schools to inspect for material containing asbestos and to notify employees and parent-teacher associations of the findings.

While the EPA regulations do not require schools to remove the asbestos, many have done so, especially when the asbestos is friable and perceived as a danger to school employees and students.

Federal and some state EPA re-

quirements are placing pressure on school districts to remove asbestos, says Robert D. Lang, an attorney with the New York firm of Cole & Dietz.

And the fact that the issue involves potential injury to children has made it more emotional and has increased the litigation, some say.

The suits filed by the school districts and state and local governments, which include both contract claims and tort claims, seek billions of dollars in both compensatory and punitive damages based on numerous theories of liability, including negligence, gross negligence, strict liability, breach of warranties, fraud, misrepresentation and conspiracy.

In most cases, the school districts' lawsuits seek to recover costs of inspecting, encapsulating and removing asbestos from public buildings.

However, some suits also ask for reimbursement of any amounts the school districts may have to pay to

people who contract asbestos-related diseases like lung cancer and mesothelioma, a cancerous lining of the lung, because they were exposed to asbestos in school buildings.

Some of the suits also seek damages for such items as transporting schoolchildren to other schools while repairs are being made.

A recent lawsuit filed by the state of Maryland against 48 companies notes the state constructed or renovated about 3,000 public buildings between 1930 and 1979, including schools, colleges and hospitals. Many of these buildings, particularly those built or renovated from the 1940s through 1972, were sprayed, wrapped, troweled on and/or otherwise covered with asbestos marketed by the defendants or with products containing asbestos manufactured by the defendants, the suit says.

The suit, which seeks \$500 million in compensatory damages along with unspecified punitive damages, alleges the defendants

knew or should have known that asbestos was dangerous and that it created an unreasonable risk of harm to individuals and damage to public buildings.

It contends the companies failed to warn potential users or failed to test the asbestos product. As a result, the state must inspect its property, locate all asbestos and asbestos products, test for the presence of asbestos, formulate plans for removal, encapsulate and replace the asbestos, the suit says.

"The continued presence of friable asbestos in any public building or facility creates a substantial risk of the contamination of such property, poses a substantial and serious risk of harm to persons using any such public buildings or facility, and thereby renders plaintiff's property unsafe and unreasonably dangerous," the suit says.

The complaint notes that Maryland has expended millions of dollars of public funds to "inspect, identify, test, analyze, remove, en-

capsulate, decontaminate or enclose asbestos or asbestos-containing products in public buildings and facilities where such products were determined to present an immediate health hazard" and will be required to expend hundreds of millions of dollars more.

The state seeks compensatory damages for the costs of asbestos abatement actions.

And, because it is not practical to remove all asbestos products in public buildings to fully protect all the people exposed to asbestos in state-owned buildings, the suit says it must expand the state's medical monitoring program to all state employees, past and present occupants of public buildings and all individuals who have been or will be exposed to asbestos products that are or have been present in the state's property.

The state also seeks punitive damages against the defendants for their alleged gross negligence.

Continued on next page

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## Property damage

Continued from preceding page  
"willful, malicious" conduct towards the safety and property of users and "reckless disregard" for the dangers of asbestos and asbestos-containing products."

For their part, the asbestos producers maintain they have valid defenses against the property damage suits.

Exposure to asbestos has not been proven dangerous in most situations involving schools and public buildings, says Frank Ellerbe, an attorney for U.S. Gypsum with the Columbia, S.C., firm of Robinson, McFadden, Moore, Pope, Williams, Taylor & Brailsford.

In most cases, the asbestos present in such buildings is securely in place and does not pose a danger to employees or students, he says, noting that to recover damages, school districts should be required to show there is a real danger—not just a theoretical risk—to employees and

students.

To illustrate this view, defendants point out there have been no cases where students or employees of school districts have contracted an asbestos-related disease because of exposure to asbestos found in school or government buildings.

In addition, defendants contend they should not be held liable for not knowing the asbestos-containing products were dangerous at the time they sold the material to school districts and governments.

"Nobody knew when these sales took place that these materials presented a danger in a school-type situation," said Mr. Ellerbe.

But even if defendants were aware that exposure to asbestos at very high levels could cause health problems, it doesn't necessarily follow that asbestos is dangerous at low levels of exposure, particularly the levels found in schools and public buildings, says Frank Corrado, another attorney for U.S. Gypsum with the Philadelphia

firm of Morgan, Lewis & Bockius.

"That argument (by plaintiffs) makes no sense at all," said Mr. Corrado.

Many defendants also argue that their particular product cannot cause harm to individuals.

U.S. Gypsum, for instance, manufactured an acoustical plaster containing asbestos that was not friable like spray-on asbestos fireproofing material, says Mr. Corrado. The product also contained only a small percentage of asbestos, he said.

U.S. Gypsum also maintains that when its product was properly mixed, applied and maintained, it would not release asbestos fibers and is safe in all circumstances.

One legal defense that defendants can argue in some of the property damage suits is that the statute of limitations has expired.

According to Mr. Corrado, contract claims against the defendants generally have a four-year statute of limitations from the date of installation, depending on the state. Therefore, if the product with asbestos was installed many years ago, the statute of limitations would likely have expired for these claims, he says.

Tort claims against defendants, however, usually have statutes of limitations of from one to three years from the date that the school district knew or should have known of the asbestos-containing products, Mr. Corrado explained.

While it would be more difficult for defendants to cite statutes of limitations to defend tort claims, they contend that, in many cases, school districts and local governments knew of the asbestos products in the late 1970s. If that were

true, tort claims could not be filed.

Another legal defense used by defendants is that school districts should not be able to recover for the costs of removal and repair because they are economic losses rather than property damage.

In the Anderson County, Tenn., case, which is scheduled to go to trial this week, a U.S. magistrate last week ruled the cost of repairing and replacing asbestos-containing material in the ceilings of the school buildings was more like an economic loss than property damage.

And since economic losses are not recoverable under tort theories, he dismissed counts of negligence and strict liability against U.S. Gypsum and National Gypsum, the two defendants in the case.

Both companies still face allegations of fraud and misrepresentation made by the county in order to recover for property damage and economic losses.

Defense attorneys also maintain that producers may be able to bring municipalities, architects and engineers into the litigation as defendants to share in any liability.

In many instances, defendants were told by architects, engineers and/or local governments to install certain asbestos products in schools, and these installations were approved by local building and zoning committees, defendants say.

Also, local governments formulated fire codes that mandated the use of asbestos materials in public buildings, said a corporate counsel for one company.

"It may give us a defense or—if not a defense—another party to contribute," he said.

## Class actions certified for property damage suits

All property damage suits filed by school districts against asbestos producers may be tried as nationwide class actions.

Last September, U.S. District Court Judge James McGirr Kelly in Philadelphia certified a mandatory nationwide class action for punitive damage claims in cases in which plaintiffs sued to recover property damage caused by asbestos in school buildings.

At the same time, Judge Kelly certified a voluntary class action for compensatory damage claims in the school litigation, which allows individual school districts to opt out of the class and file compensatory damage lawsuits against asbestos producers on their own.

Although the classes have been established, Judge Kelly's certifications are now being appealed to the 3rd U.S. Circuit Court of Appeals in Philadelphia.

The class certification has divided both plaintiffs and defendants.

Although more than 20 defendants have so far opposed Judge Kelly's certification, three major defendants in the asbestos property damage litigation—United States Gypsum Co., National Gypsum Co.

and W.R. Grace & Co.—have not appealed the certification.

In the meantime, some school districts are seeking certification for statewide class actions. These include school districts in Wisconsin, Ohio, Michigan and Texas.

A class action also has been filed on behalf of all Pennsylvania municipalities that are pressing claims against asbestos producers.

According to attorney David Berger, a Philadelphia plaintiffs' attorney with the firm of Berger & Montague who is supporting certification of the class actions, it is possible that school districts could be part of their own statewide class action for compensatory damages and be part of the nationwide class action for punitive damages if Judge Kelly's ruling holds up.

In addition, motions are pending to have the Judicial Panel on Multidistrict Litigation in Washington coordinate discovery and other pre-trial proceedings that are now taking place in 18 federal courts in the school property damage litigation.

Like the class certification, these motions are supported and opposed by various parties on both sides.

## Maryland weighs wage-loss

BALTIMORE—Hearings continue this week in Maryland on two bills to replace the traditional schedule of workers compensation benefits for permanent partial injuries with a wage-loss system.

If the proposal is passed, employers should save at least 25% in work comp costs annually, according to the National Council on Compensation Insurance. Maryland's comp rates are among the 10 highest in the country, according to several sources.

The bills—S.B. 566 and H.B. 1386—were drafted by the state Chamber of Commerce with help from

the insurance industry.

Specifically, they call for elimination of the arbitrary schedule of benefits for workers with permanent partial injuries. Instead, workers would be paid 95% of 85% of the difference between their average wage before injury and the average wage after they are medically able to return to work. However, this benefit could not exceed 66.6% of the average gross weekly wage before injury.

The formula is similar to one used in Florida, which in 1979 introduced the first modern wage-loss system.

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Mar 4	Feb 20
Mar 11	Feb 27
Mar 18	Mar 5
Mar 25	Mar 13
Apr 1	Mar 20
Apr 8	Mar 27
Apr 15	Apr 2
Apr 22	Apr 9
Apr 29	Apr 16
May 6	Apr 24
May 13	May 1
May 20	May 8
May 27	May 14
Jun 3	May 21
Jun 10	May 29
Jun 17	Jun 5
Jun 24	Jun 11
Jul 1	Jun 19
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# GPU insurers settle TMI liability claims

Continued from page 2

Named in some of the personal injury suits along with GPU were its three subsidiaries that actually owned the TMI plant: Metropolitan Edison Co., Jersey Central Power & Light Co. and Pennsylvania Electric Co.

The settlements were negotiated by three groups of attorneys that represented the 280 plaintiffs, according to A.H. Wilcox, an attorney with the Philadelphia firm of Pepper, Hamilton & Scheetz that represented GPU in the settlements.

After both sides agreed on the amount of the overall settlement figure for the 280 cases, the plaintiffs decided how to allocate the funds to individual claimants, Mr. Wilcox said.

Besides the most recent settle-

ments and the 1983 class-action settlement, GPU and its insurers have settled several other claims filed against the utility as a result of the TMI accident.

Last year, ANI and MAELU agreed to pay \$225,000 to government entities within 25 miles of the plant to settle property damage and other claims filed by the municipalities (BI, Aug. 20, 1984).

In February 1984, the state of Pennsylvania also agreed to settle its claims against the utility for \$250,000. GPU and its insurers also have settled several smaller liability suits.

ANI and MAELU reported last year they had paid out almost \$27 million to settle liability suits in connection with the accident including the 1983 class settlement.

Since the accident, GPU has increased its primary liability coverage written by ANI and MAELU to \$160 million from \$140 million. It also now has \$560 million in excess coverage underwritten by the two nuclear pools, Mr. Harward said.

In addition to the liability settlements, GPU and its former directors and officers liability underwriter, City Insurance Co., agreed in 1983 to pay more than \$20 million to settle a shareholder suit filed against GPU (BI, April 18, 1983).

Meanwhile, a spokesman for Gov. Richard Thornburgh's office said the state is preparing to begin "two of the most important studies yet" on the effects of the TMI accident on the health of nearby residents.

The studies, which are scheduled to begin in March, may take as long as two years to complete, he explained.

One study, which will focus on the general population that lived within a five-mile radius of the TMI plant, will examine residents' exposure to radiation as a result of the accident compared with the health hazards they face in the normal course of their lives, the governor's spokesman said.

Drinking and smoking habits, occupational exposures to radiation, medical histories and prescribed medications will all be examined as part of the residents' health histories, he noted.

The in-depth medical histories should indicate whether the TMI population is suffering from radia-

tion hazards attributable to the plant, according to the spokesman.

Another study will attempt to determine if mothers within 10 miles of the plant have experienced more pregnancy-related problems than women who live elsewhere in the nation. The study will examine problem pregnancies suffered by women who lived near the plant, and also those children who have been born since the accident to determine if they have normal behavioral patterns.

ANI's Mr. Harward said although previous studies by the state have found no evidence that the TMI accident has been linked to birth defects, if the studies prompt more lawsuits, he feels the insurer "has adequate reserves" to settle any resulting claims. ■

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Chief financial officers and vice-presidents of finance ..... 2,168  
Secretaries, treasurers, controllers and other financial personnel ..... 7,167

**Risk/employee benefits:**  
Vice-presidents, directors, managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations ..... 8,206

**Sub-total** ..... **22,627**  
Associations ..... 1,081  
Government, unions and educational systems ..... 944

**Commercial Consumers**  
**Sub-total** ..... **24,652**

Insurance agents and brokers .... 9,524  
Insurance companies ..... 5,867  
Financial institutions ..... 556  
Actuaries, attorneys, adjusters, appraisers and consultants ..... 3,265  
Others allied to the field ..... 1,143

**TOTAL** ..... **45,007**

\* Source: Business/Occupational breakdown of qualified circulation, Nov. 5, 1984 issue, as submitted to BPA for Dec. 1984, BPA Publisher's Statement.

# Shipbuilding firm wins broad coverage

Continued from page 2

the shipbuilder from the 1940s to Jan. 1, 1970; Highlands Insurance Co., from Jan. 1, 1970, to Jan. 21, 1971; Commercial Union, from Jan. 21, 1971, to July 5, 1972; American Motorists Insurance Co., a Kemper Group unit, from July 5, 1972, to July 5, 1975; and Travelers Insurance Co., from July 5, 1975, to Dec. 1, 1984.

Avondale also had purchased excess liability insurance from various insurers, including Commercial Union.

Avondale and some of its primary insurers differed on which underwriters should respond to the employee claims.

Avondale, American Motorists, Highlands and Travelers favored the injurious exposure theory and argued that coverage should be prorated among those insurers that were on Avondale's risk during the time that the employees were exposed to silica dust.

However, Commercial Union, which would stand to pay the bulk of indemnification and defense costs under the exposure theory, argued for the manifestation theory. CU contended that Avondale's insurers at the time employees manifested symptoms of silicosis should be liable.

The U.S. District Court that originally heard the case rejected both theories, adopting instead a theory that coverage was triggered when "real but undiscovered injury is proved in retrospect to have existed." This theory originated in *American Home Products Corp. vs. Liberty Mutual Insurance Co.* in 1983 (BI, July 4, 1983; Dec. 17, 1984).

In its decision, however, the appellate court rejected the lower court decision and ruled in favor of the exposure theory as espoused in *Porter vs. American Optical Corp.*, a 1981 asbestos coverage decision by the 5th Circuit.

It also specifically rejected CU's position that the trend of the cases favored manifestation and that the Porter ruling was not applicable to the Avondale case.

"It is beyond cavil that Porter decided the very issue present to us in this appeal," the court said.

"... However, having determined that Porter decided the same issue in a similar setting, we... require that the exposure theory be applied to the Commercial Union policies."

An attorney for Avondale said the case is significant because, by reaffirming the Porter decision, the appellate court said Avondale could obtain coverage dating back to the first day employees were exposed

to silica dust.

"It dovetails coverage with liability," said Charles Steen, an attorney for Avondale with the New Orleans firm of Liskow & Lewis.

Mr. Steen points out that many shipyards may have had large deductibles or self-insured retentions in recent years. By extending coverage back to the time when employees were first exposed to silica dust, it reduces the amount that shipyards would have to pay out on their own, he said.

Thomas Loehn, an attorney for Commercial Union with the New Orleans firm of Boggs, Loehn & Rodrigue, said CU has filed an application for a rehearing before the entire 5th Circuit.

In the other issue addressed in the decision, the appellate court made it more difficult for manufac-

turers named in product liability lawsuits filed by occupational disease victims to recover all or a portion of their costs from the officers of the victims' employers.

Julius Ducre, a former sandblaster for Southern Shipbuilding Corp. of Slidell, La., and Halter Marine Inc. of New Orleans sued four manufacturers of respiration safety equipment he allegedly used in the course of his work.

Mr. Ducre, who contracted silicosis, alleged the companies negligently manufactured the equipment; failed to warn of the dangers inherent in using the equipment; and that the equipment itself was defective.

The manufacturers—Mine Safety Appliances Co., Pulmosan Safety Equipment Corp., Clemco Industries and Minnesota Mining &

Manufacturing Co.—in turn sued Southern's and Halter's executive officers for all or part of their potential liability to Mr. Ducre.

The manufacturers contended the shipbuilders' officers negligently failed to protect Mr. Ducre from exposure to silica dust and failed to properly instruct him in the use of the safety equipment and that they intentionally caused his medical disorders by exposing him to silica dust while knowing it was substantially certain to cause lung damage.

According to the appellate court, however, Louisiana law precluded full indemnification of the manufacturers by Southern's and Halter's officers for either the officers' negligence or intentional conduct.

Indemnification is only available to manufacturers in cases where

they are not alleged to be primarily responsible for the victims' injuries, the court said.

Mr. Ducre's claims against the manufacturers allege the companies were primarily responsible for his and other employees' injuries.

The court also said the manufacturers could not receive from the officers a portion of their costs stemming from the officers' alleged negligence. The suits against the manufacturers were filed after the 1976 amendment to the work comp law that barred suits against employers for alleged negligent conduct.

However, the court ruled the manufacturers could recover from the officers if it were ruled the officers intentionally caused employee injuries.

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**As Questions Occur in Developing and Preparing a Claim**, insureds should not hesitate to bring them to the attention of the adjusters. Any number of variables might be affected, including cost estimates, reporting requirements, restoration plans, record keeping, partial payments, expense handling, and the like. One of the adjusters' concerns is to avoid surprises months later. Insureds, insurers, and adjusters are seldom comforted by the unexpected discovery of unobserved damage, underestimated charges, or uninsured items long after the loss occurred. Good communications is not just a "buzz word", it is an essential ingredient for a smooth and timely conclusion of a claim.

Some claim handling tips are included in IRI's 12-page PEPlan brochure. See pages 7 and 8 for "Selecting Your Claims Coordinator," "Preparing Your Claim," and "Working with the Claims Adjuster." For a complimentary copy of the PEPlan brochure, contact Mrs. P. A. Sasso, Industrial Risk Insurers, 85 Woodland Street, Hartford, CT 06102 area code (203) 525-2601. A little planning now could help expedite a payment later.

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## Baby-boomers like flexible benefits

HARTFORD, Conn.—Flexible employee benefits appear to be popular with the baby-boom generation, according to a recent survey by the Life Insurance Marketing & Research Assn.

The study, based on a survey of 2,300 U.S. households headed by people born between 1946 and 1961, found that of the 95% of the respondents who did not have a flexible benefit plan, half favored the concept, 40% were undecided and only 10% were not interested.

In other employee benefit topics, the survey also found that 82% of the respondents have group health or health maintenance organization coverage, 81% have group life insurance, 70% are covered by pension or retirement plans, 62% have group disability insurance, 56% have group dental coverage, 24% have coverage for alcohol or drug abuse treatment and 12% have Individual Retirement Accounts the have been established by their employers.

## Crawford case

Continued from page 1

The insurance policy at issue provided claims-made products liability insurance to the other manufacturing companies, numerous companies that supply goods and services to the manufacturing companies, 115 independent distributors, profit sharing/pension plans for employees of the manufacturing and support companies, and other individuals, the judge said.

None of these other insureds have any ownership interest in Constance and each, except for the 115 independent distributors, paid premiums proportionate to their share of the insurance coverage, the judge noted.

Crawford paid for the distributors' insurance as part of its approximate 30% share of the total premium paid for the insurance.

Also, the judge found that Constance was formed for a legitimate business purpose—providing general and product liability coverage that was unavailable or affordable—and not to avoid taxes.

Finally, Judge Dowd also noted that Constance was well-capitalized at \$1 million, unlike other captive insurance companies that have been the subject of tax cases won by the IRS.

All these circumstances distinguished Crawford's insurance programs from those captive insurance programs that the IRS has previously convinced the courts did not constitute insurance for tax purposes, the judge said.

"No one fact was all-important," in the judge's decision, said Marc Levey, a former Justice Department attorney who had worked for the government on self-insurance tax cases. His reading of the decision led him to conclude: "It was the combination of facts that gave the court something to hang its hat on."

Mr. Levey will soon join the New York law firm of Carb, Luria, Glassner, Cook & Kufeld.

Crawford's victory follows years of costly and so far unsuccessful legal battles waged by owners of captive insurance companies trying to convince federal courts that premiums paid to captive insurance companies are legitimate tax-deductible business expenses.

The sole owners of captive insurers have fought the IRS contention that premiums paid to a captive insurer are not insurance premiums for tax purposes because there is no risk-shifting and no risk distribution outside one economic family in single-owner captive insurance

company programs.

After so many well-publicized court defeats, involving captive insurance programs set up by companies such as Carnation Corp., Stearns-Rogers Corp. and Beech Aircraft Corp., attorneys representing companies that use captives are understandably jubilant over their first victory.

"We have finally won one," exulted David Cathcart, an associate with Mansour, Gavin, Gerlack & Manos, the Cleveland-based law firm that represented Crawford and is the law firm of one of the owners of Constance.

"It is the first major victory by a taxpayer in court," added Ben Sciortino, a partner with Baker & McKenzie in New York.

But, tax attorneys caution that it is far too soon for captive insurance company owners to begin a mass celebration.

First, an appellate court could overturn Judge Dowd's decision. The government has until March 16 to file a notice of its intent to appeal the decision.

Second, as a ruling by a district court—the lowest level of federal courts—Judge Dowd's decision will have little precedential value.

Third, the issue of tax deductions for premiums paid to captive insurers is in litigation in other courts.

For example, the U.S. Court of Claims is yet to rule on the federal government's argument in the Mobil Oil Corp. case that a company cannot take a tax deduction for premiums paid to its captive insurer even if the captive underwrites numerous policies for entities unrelated to the parent (BI, Sept. 17, 1984).

"The law may change drastically during the next year," said Mr. Levey.

Finally, even if Crawford's victory stands, some captive owners may not be able, or want, to imitate the Constance program in hopes of also winning court approval if later challenged by the IRS, tax attorneys say.

"Some companies don't want to shift ownership to employees," observed Bruce Wright, an attorney with LeBoeuf, Lamb, Leiby & McRae in New York.

The employees who each owned 5% of Constance were Norge Tobbe, assistant secretary of Crawford Fitting Co.; John Fant, a Crawford attorney; and F.J. Callahan, a Crawford executive vp. In addition, Ernest Mansour, a partner with Mansour, Gavin, Gerlack & Manos, which provided legal services to Crawford, owned 5% of Constance.

Avoiding any direct ownership of the insurer also could be a problem for other companies.

For Crawford, it wasn't difficult since Fred A. Lennon, the sole owner of Crawford, also owned four regional warehouses with his wife, daughter and son. So, the regional warehouses put up 80% of the capital of Constance.

"You are talking about a lot of work and restructuring for a tax deduction," said Jon Harkavy, director of governmental affairs for the Risk and Insurance Management Society in New York, imagining how other companies could imitate the Constance ownership.

"As a practical matter, a public company would have great difficulty in creating the diversity of ownership found in the Crawford case," said Mr. Levey.

But, Mr. Levey quickly adds, the Crawford case does illustrate the importance of careful planning.

Judge Dowd's 29-page opinion details the facts of the Crawford/Constance insurance program and why he ruled that the entire premium paid by Crawford was tax deductible by the manufacturer.

Crawford paid \$157,028 of the total \$575,000 premium paid to Constance in 1978 for \$1.5 million in general liability and product liability insurance. The premiums paid by the other named insureds totaled the remaining \$417,972.

Constance reinsured all but the first \$100,000 per occurrence/aggregate of the \$1.5 million risk. For \$1.4 million of reinsurance, Constance paid Bermuda Fire & Marine Insurance Co. Ltd. a premium of \$475,000.

Crawford claimed a tax deduction for the full \$157,028 premium it paid. The IRS allowed a deduction for the premium to the extent it was reinsured, but the IRS allocated \$20,485 of the \$100,000 premium retained by Constance as the portion of the retained premium related to the insurance of Crawford's risk.

Since the IRS deemed Constance an affiliated insurer and contends that the cost of insurance purchased from an affiliated insurer is not tax-deductible to the policyholder, it reduced the tax deduction for the insurance expense claimed by Crawford by \$20,485.

The disallowance resulted in a tax deficiency of \$9,423, which Crawford paid, then filed for a refund and then sued the government to force the refund.

Judge Dowd found that the government was wrong when it argued that the insurance premium Crawford paid to Constance was a reserve for self-insurance. He found that Crawford's risk was shifted and distributed among Constance's shareholders.

The government had argued, "Merely because Constance is a separate corporate entity does not mean taxpayer can label a transaction as 'insurance' where no risk as to the first \$100,000 of loss has been shifted."

With 80% of Constance owned by the four regional warehouses and 20% by other individuals, the judge said the ownership of Constance resembled the facts in Revenue Ruling 78-338.

In that 1978 ruling, the government allowed companies that jointly owned an insurance company to tax deduct the premiums they paid to it. The IRS reasoned that with ownership by 31 shareholders, there was no economic relationship between one taxpayer and the other insured-shareholders. Therefore, the risk insured was shifted and distributed and the arrangement was not self-insurance, the IRS ruled.

Judge Dowd found that risk also was transferred in the Crawford case because Crawford did not own Constance, and it also did not own the warehouses that owned 80% of Constance.

"The fact that Fred A. Lennon

owns Crawford and a percentage of the warehouses does not mean that the warehouses' 80% ownership interest in Constance is the same as an 80% ownership by Crawford. Any gain or loss enjoyed or suffered by Constance does not affect the net worth of Crawford," Judge Dowd said.

"The court thus finds Fred A. Lennon's ownership in the different companies to be inconsequential where each in fact was incorporated for a valid business purpose independent from the others," Judge Dowd ruled.

The government also argued that the employees and counsel who owned the other 20% of Constance were so closely connected with Crawford that they were members of the same economic family.

The judge disagreed. "The court finds that some kind of employment relationship with the plaintiff... to be insignificant.

"None of those four men will, by virtue of their employment relationship with Crawford or the owner... feel the benefit of the deduction of the insurance premiums taken by Crawford in insuring with the captive," Judge Dowd said.

And, Judge Dowd also noted that Constance not only insured Crawford, but also unrelated parties including 115 independent distributors of Crawford products.

"None of these have any ownership interest in the captive insurance company or, for that matter, in the plaintiff taxpayer," Judge Dowd said.

The judge did not comment on the fact that Mr. Lennon's daughter, a shareholder in the warehouses, is married to the sole owner of one of the manufacturing companies insured under the policy.

The judge also found that "Constance was created because the Crawford Cos. were unable to secure insurance at a reasonable price and without substantial limitations on the types and amounts of coverage."

Judge Dowd used the term "Crawford Cos." to encompass the regional warehouses and the support and manufacturing com-

panies.

Constance was set up in March 1978 as an insurer under the Colorado Captive Insurance Act after the Crawford Cos. were unable to find reasonably priced general liability and product liability insurance.

The companies, for example, had received a quote of \$850,000 to obtain \$1 million of coverage.

The valves and fittings made by Crawford Fitting and the other companies are used in nuclear power plants, petrochemical plants, offshore oil rigs, scientific research and the space program—all very risky in the eyes of insurers.

In addition to the \$1.5 million in insurance purchased from Constance, Crawford purchased \$30 million of excess general liability and product liability insurance from unrelated insurers.

Finally, Judge Dowd cited the \$1 million capitalization of Constance as more than adequate to cover risks it retained under the policy. That separated the Crawford case from the landmark Carnation Co. case in which the court found that Carnation's captive had been inadequately capitalized for the risk assumed, the judge said.

In conclusion, Judge Dowd said Crawford did "shift the risk of loss outside its economic family to the captive, who fairly and adequately distributed the risk of loss among its group of insureds, and that the financial transactions of separate corporations should therefore not be aggregated and treated as the transactions of a single taxpayer."

As of Dec. 31, 1983, the latest year for which public records are available, Constance wrote \$260,000 in gross premiums and retained \$10,000 net, ceding \$250,000 to Bermuda Fire & Marine Insurance Co. in Bermuda.

How much of that premium involved coverage for Crawford could not be learned. Officials at Crawford and its attorney in the tax case were traveling and not available for comment.

Constance was set up with the advice of Alexander & Alexander Services Inc. and managed by A&A.

## Broker commissions limited in Mexico

Continued from page 2

Since the 9.435 million peso premium falls into the fourth bracket of 7.501 millions pesos to 10 million pesos, the base commission is 2.025 million pesos. The premium exceeds the low end of the bracket by 1.934 million pesos and therefore, according to the schedule, a multiplier of 21% is applied to the excess for an additional commission of 406,140 pesos.

The multipliers applied to the excess in each bracket range from a high of 30% in the lowest bracket to a low of 6% in the highest bracket.

Under the new law, the policyholder's premium is then reduced by an amount equal to the difference between the old 30% commission and the new commission.

"So instead of giving a large portion of money to the broker, we return it to the buyer," explains J.D. Dawson, executive vp-international at Seguros La Comercial, S.A., a leading international insurer in Mexico. "In effect, it's a reduction in the cost of insurance at the expense of the local broker."

"It's a positive change, and it's been a long time coming," says Michael Heisel, treasurer of General Motors of Mexico.

"These brokers aren't providing insurance for a mom-and-pop business or a taco stand, but to multimillion dollar plants." He said there was no way to justify a 30% broker commission, "despite the greatest service I can think of."

Mr. Heisel predicts that under the new law General Motors will see a 10% to 15% reduction in the U.S. dollars it will pay when it renews its fire insurance in May

with Seguros La Provincial, S.A., part of Grupo Nacional Provincial.

However, Mr. Meisel does not expect to see much reduction in actual pesos paid for coverage because of the high rate of inflation in Mexico.

While the new law will be good news for buyers, Mr. Dawson expects the reduction in commissions to force some brokers in Mexico to lay off staff. He has already observed some staff reductions, "although not drastic," he says.

And, he suggests the burdens the new law places on brokers could prompt some to circumvent the law to maximize their commissions.

For example, to increase the premium a buyer pays for his coverage and the percentage of commissions the broker can receive, some brokers may decide to arrange coverage that was once written as one large policy as two or three smaller policies, Mr. Dawson says.

But, not everyone feels the brokers will be so badly affected.

"My gut reaction is that any reasonably well-run broking company that's handling large accounts is not going to be critically hurt by this change," says Frank LeFurgy, president of Frank B. Hall Overseas Inc. in New York. FBH is one of the five largest brokers working in Mexico, he estimates.

U.S. and other foreign brokers can only operate in Mexico as an affiliate of a Mexican broker. Besides Hall, other U.S. brokers with a presence in Mexico include Marsh & McLennan Cos. Inc., Johnson & Higgins, Fred S. James & Co. and Alexander & Alexander Services Inc.

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# Brokers' E&O rates rise, limits shrink

Continued from page 1

cific about E&O insurance market conditions. Many spoke only on the condition that their names not be used.

One cause of the tightening market is a loss of reinsurance support for broker E&O risks, observers say.

Munich Reinsurance Co., for example, is no longer a market for the coverage, according to several brokers who identified it as a key reinsurer of the class.

Hans Raffler, president of Munich Management Corp., said that Munich Re has "more or less withdrawn from coverage of certain classes of E&O," and has added an exclusion for these classes to its treaties.

Mr. Raffler wouldn't identify which E&O risks were excluded, though, and said that Munich Re was only a "small market for E&O for brokers."

The retrenchment at Munich Re—and throughout the broker E&O marketplace—was triggered in part by Sedgwick Group P.L.C.'s \$30.7 million settlement early last year of claims filed by one of its clients, an Australian utility (BI, Jan. 30, 1984).

The utility had sued Sedgwick and its insurers for coverage of \$100 million in liabilities arising from two massive bush fires the utility allegedly started. The utility's insurers at first denied the claims, alleging that Sedgwick had misrepresented the risk.

At the time of the settlement, Sedgwick said its professional liability insurers would pay all but \$36,750 of the \$30.7 million settlement.

Several of these insurers were reinsured by Munich Re, according to sources in London and the United States. One London broker said that Munich Re, through various treaties, reinsured 9 million pounds of the first 20 million pounds of Sedgwick's E&O program, or \$13 million of \$29 million, under the exchange rate at the time.

"Their involvement was very heavy," said one U.S. broker who asked not to be named.

Other brokers have felt the impact of the Sedgwick loss.

"That loss really affected the entire market," said an executive for one U.S. brokerage firm, adding that underwriters "specifically mentioned" the loss to him as one reason for the increase in his brokerage's E&O premium this year.

M&M has also notified its E&O insurers of a possible loss—and may have formally filed a claim—connected with the unauthorized bond trading by M&M's treasury department executives that produced a \$90 million after-tax loss for the company, sources say.

Even though the M&M bond trading loss probably would not be considered a valid E&O claim, underwriters have used it to justify rate hikes, a U.S. broker says.

"They were certainly used as a scapegoat for the premium increases," the broker said.

"All brokers are being tarred with the difficult brokers' brush," said a London broker who requested anonymity.

The loss of treaty reinsurance capacity isn't being made up with facultative capacity, this broker added.

"The facultative market is as dead as a dodo in the class," he observed.

While large brokers were able to find limits of \$250 million in January 1984, they would now be lucky to round up \$150 million, according to John Dore, president of Chicago Underwriting Group, underwriting manager for Old Republic Insurance Co.

Worldwide capacity for broker E&O risks has declined since 1982 from more than 100 million pounds—over \$200 million—to about 40 million pounds, or \$43 million, confirms Nick Carter, managing director for Nelson, Hurst & Marsh, a Lloyd's broker.

"The capacity has vanished," he noted.

For British brokers buying E&O coverage only in British pounds, finding capacity of 40 million to 50 million pounds is "extremely difficult if not impossible."

Major U.S. brokers, however, are in a better position because they can tap both capacity in the United Kingdom and at home.

Some brokers searching for limits in the United States have relied on insurers they produce business for to write a portion of their E&O programs as a favor.

CIGNA Corp., for example, has taken \$1.5 million to \$2.5 million net line participations on the upper layers of some brokers' E&O programs, according to John C. Morrison, CIGNA's chief underwriting officer.

"We've helped out a couple of big brokers with participations on layers of coverage where things were a little tight at the end of the year," Mr. Morrison said.

"We don't really underwrite it—we're just here when they need us," he added.

The willingness of other companies to do this kind of favor on broker E&O programs has apparently vanished, however.

"I think the favors have all disappeared," said M&M's Mr. Bugalla.

Only the medium- and small-sized brokers whose insurance demands are within available capacity can still find the limits they want, Mr. Carter added.

Brokers of all sizes are paying more for the available limits, though in the United States the alphabet brokers again appear to be among the hardest hit, sources agree.

"It's a minimum of two times what it was. And that goes for everybody," said a New York broker who asked not to be named. Rates for primary coverage are up 100% to

200%, while upper-layer coverage costs 300% to 400% more, he said.

No U.S. broker was willing to comment on the specific rates charged for brokers' E&O insurance.

In London, non-Lloyd's brokers are being hit with the highest rate increases worldwide, ranging from 700% to 1,000%. Underwriters view these brokers as presenting the biggest E&O risks.

Some of these non-Lloyd's brokers are now paying 20% of their revenues for E&O insurance, Mr. Carter added.

Shand, Morahan & Co., a specialty lines underwriting management subsidiary of Alexander & Alexander Services Inc., is looking for significant rate hikes in three programs covering agents and brokers E&O, according to Robert Dominiak, assistant vp.

One program, written by Utica Mutual Insurance Co., covers about 11,000 agents affiliated with the National Assn. of Professional Insurance Agents in various states. Shand is asking for rate hikes averaging 79.1% and ranging from a low of 20% to a high of 150%, according to Mr. Dominiak.

The limits available in this program haven't changed, he added. Agents have the option to choose straight E&O coverage with limits of \$2 million per claim and \$6 million aggregate, or E&O coverage with limits of \$1 million per claim and \$3 million aggregate with a \$2 million umbrella that includes E&O.

In another program, written by Evanston Insurance Co., Shand is looking for rate increases ranging from 100% to 240%. This program, intended for larger agents and brokers, is individually underwritten, he said.

Limits available under the program dropped from \$30 million to \$20 million after Jan. 1 because of a shortage of reinsurance support.

Mr. Dominiak says that Shand has retained more business than it expected, despite the rate hikes.

"Some accounts were going from \$15,000 (annual premium) to \$50,000 and we expected to lose them, but we haven't," he said.

In the third program, which covers title insurance agents, Shand is looking for rate hikes averaging 67.5%.

Along with smaller limits at higher rates, brokers are finding that their E&O underwriters have tightened the coverage conditions, too.

Defense cost coverage, which many underwriters had provided in addition to policy limits, is now commonly included in those limits, according to Mr. Dore.

Some insurers are also specifically excluding coverage of broker liability arising from asbestos coverage litigation, according to one

U.S. broker who asked to remain nameless.

This exclusion was mainly prompted by a 1981 lawsuit filed against M&M by client Manville Corp., the broker said. The suit, which is still in litigation, contended that M&M should reimburse Manville for losses not covered by its insurance.

Another exclusion on broker E&O policies that has become mandatory in recent months is one excluding coverage of broker liabilities arising from the insolvency of insurance companies writing clients' insurance programs, says one New York broker.

Lloyd's brokers are also being required by underwriters to coinsure the portion of their E&O programs covering fraud and dishonesty of broker principals, says Mr. Carter.

The coinsurance provision, which went into effect last November after being approved by the Committee of Lloyd's, requires brokers to assume 10% of the fidelity risk up to a maximum of 1 million pounds, he explained.

The Committee of Lloyd's and the British government body regulating brokers dictate the terms of broker E&O policies purchased by Lloyd's brokers and require that fidelity coverage be included.

Non-Lloyd's brokers are not required to buy fidelity coverage and indeed typically are not offered the coverage by insurers so the new coinsurance requirement isn't applicable to them, Mr. Carter added.

Not all large brokers have been bruised by the tightening E&O market.

Rollins Burdick Hunter Co., a unit of Combined International Corp., was able to renew its E&O coverage with the same limits and retention and with only a relatively modest rate increase, according to Duncan Randall, risk manager for Combined.

However, RBH buys only a "small" primary broker E&O policy, with excess coverage provided under Combined's excess general liability program, Mr. Randall said.

Some observers say the days when brokers could easily include E&O coverage in their umbrella programs are numbered.

In the past, brokers may have purchased a \$5 million to \$10 million primary E&O policy and included coverage above those limits in an umbrella at relatively "cheap" rates, according to Mr. Dore.

But "a lot of umbrella carriers are saying, 'Get this E&O out of our umbrella,'" he said.

Mr. Dore added that loss experience in the broker E&O line could deteriorate further as underwriters adopt the new claims-made general liability form developed by the Insurance Services Office.

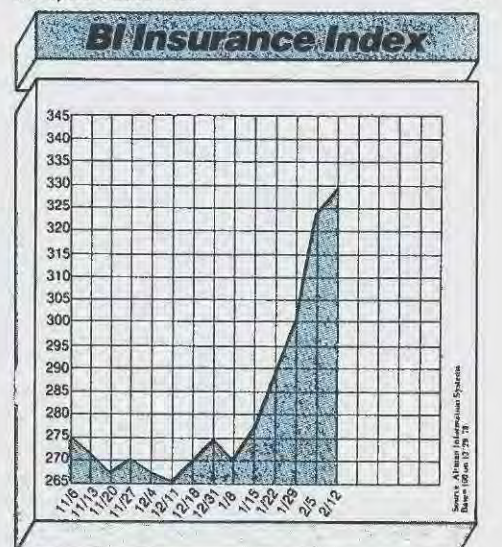
"Whenever you introduce new coverage or new concepts, it causes errors" by the brokers, he observed.

## BI Industry Stock Report

Feb. 12, 1985

2/6/85 thru 2/12/85

Brokers	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)
Alexander & Alexander Svcs	27.75	-0.4	308.3	1.00	3.6	28.75*	27.75	759.1	13.25	8.2	2.4	0.40	3.0	13.25	12.25	16.9
Baldwin & Lyons Inc	51.00	6.2	22.0	0.80	1.6	51.00*	51.00	1.1	52.75	6.0	9.2	1.94	3.7	52.75*	51.00	44.0
Corroon & Black Corp	39.88	-3.9	23.9	1.00	2.5	40.63	38.75	233.7	3.00	0.0	0.0	0.00	0.0	3.00	5.00	5.0
Crump E H Cos Inc	24.25	-0.5	21.7	0.44	1.8	24.25	24.00	43.3	59.25	-4.0	16.8	2.20	3.7	61.75	59.25	286.1
Emett & Chandler Cos Inc	14.00	19.1	0.0	0.00	0.0	14.00*	12.50	5.2	51.75	-2.9	10.6	2.08	5.0	43.25	41.75	184.8
Gallagher Arthur J & Co	37.00	-3.9	23.3	0.07	0.2	37.25	37.00	37.3	39.13	-6.0	111.8	2.60	6.6	40.63	39.00	424.0
Halt Frank B & Co Inc	26.00	-3.7	216.7	1.00	3.8	27.00	25.63	133.0	124.00	4.6	8.1	5.00	4.0	124.00	118.50	4.0
Marsh & McLennan Cos Inc	63.13	-1.8	39.0	2.40	3.8	64.25	62.25	326.1	37.25	0.7	11.5	1.16	3.1	37.25*	37.25	18.9
Poe & Assoc Inc	8.00	3.2	0.0	0.00	0.0	8.00*	7.75	6.9	58.13	-1.3	12.5	1.76	3.0	59.00*	58.13	566.5
Reed Steenhouse Cos Ltd	21.50	0.6	30.7	0.60	2.8	22.13*	21.50	296.3	25.00	14.3	0.0	0.48	1.9	25.00*	23.00	2,267.0
AGENTS/BROKERS	AVERAGE		38.3		2.3				375.00	0.0	10.1	14.00	3.7	375.00	375.00	0.0
Conglomerates & Holding Cos.									34.75	-1.4	16.5	0.56	1.6	36.00*	34.75	56.3
American Express(Fireman's Fd)	42.00	-2.3	15.1	1.28	3.0	43.13*	42.00	3,820.9	67.00	4.7	29.9	3.00	4.5	68.00*	64.50	17.5
Anderson Clayton(Ranger/PanAm)	37.00	2.4	19.1	1.32	3.6	37.00*	36.13	74.6	82.00	-0.6	9.4	2.88	3.5	85.00*	82.00	14.0
Arco Inc	11.13	2.3	0.0	0.00	0.0	11.25	11.13	825.5	52.38	4.8	30.5	1.80	3.4	52.38*	51.63	324.2
CIGNA Corp	46.00	-3.2	38.0	2.60	5.7	48.63*	46.00	3,440.0	29.00	-1.7	13.9	0.72	2.5	29.38	28.75	38.5
City Investing Co. (Home Ins.)	39.88	-0.9	9.6	0.00	0.0	40.00	39.88	388.5	45.00	6.5	10.4	1.84	4.1	45.00*	43.75	803.3
CNA Finl Corp (CNA)	36.75	-2.0	17.9	0.00	0.0	37.25	36.75	58.9	8.13	-4.4	0.0	0.50	6.2	9.13	8.13	414.0
General Re Corp	70.25	-3.8	24.5	1.44	2.0	73.50*	70.25	458.2	30.75	2.5	22.6	1.30	4.2	31.13*	30.00	244.1
ITT (Hartford Group)	33.50	8.5	9.1	1.00	3.0	33.50	31.50	4,536.3	34.38	1.1	13.3	0.80	2.2	34.50	34.00	240.4
Optium Hldg Corp	0.63	-37.5	0.0	0.00	0.0	1.00	0.50	17.9	48.00	-1.3	18.0	2.68	5.6	50.13*	48.00	184.4
Sears Roebuck & Co. (Allstate)	34.88	-1.1	8.7	1.76	5.0	35.38	34.75	2,861.6	35.88	6.7	7.2	0.88	2.5	36.00*	33.25	169.7
Teledyne Inc (Argonaut)	262.25	0.3	14.4	0.00	0.0	265.00	258.63	238.0	25.25	3.1	280.6	0.76	3.0	25.63	24.88	106.8
Transamerica Corp	29.00	-0.4	12.5	1.64	5.7	29.13	28.50	494.8	23.88	11.0	11.3	0.62	2.6	24.25*	21.88	127.9
(Occidental & Fred S. James)									95.00	8.0	6.8	2.88	3.0	95.00*	89.50	43.1
CONGLOMERATES/HOLDING COS.	AVERAGE		17.4		1.7				55.50	-4.5	0.0	3.00	5.4	57.38	55.50	523.1
Aetna-Life & Cas Co	40.63	-1.2	20.8	2.64	6.5	42.00*	40.50	3,775.1	35.00	1.4	11.5	1.50	4.3	35.50*	35.00	442.8
American General Corp	29.88	-0.4	10.0	1.00	3.3	30.75*	29.88	1,558.3	19.00	1.3	32.2	0.68	3.6	19.00	18.75	94.3
American Heritage Life Invnt Co	31.38	-0.8	12.5	1.08	3.4	32.00*	31.38	1.9	24.75	4.2	10.0	0.80	3.2	24.75	25.50	124.8
American Intl Group Inc	17.75	1.4	0.0	1.12	6.3	18.25	17.75	1.3	6.88	3.8	10.3	0.15	2.2	7.13	6.88	59.5
Aneco Reins Ltd	1.63	8.3	0.0	0.00	0.0	1.63	1.63	6.0	133.75	-1.1	23.1	1.05	0.8	136.25	133.75	3.6
Aveco Corp	23.63	3.8	11.5	0.60	2.5	23.63*	22.75	8.9	45.00	12.8	10.2	1.00	2.3	43.00*	39.50	630.0
INSURANCE COMPANIES	AVERAGE		3.5						42.25	0.6	10.3	2.04	4.8	42.63*	41.88	1,215.9
United Fire & Cas Co	22.50	0.0	0.0	0.00	0.0	22.50*	22.50	0.1	31.25	0.0	18.2	2.08	6.7	31.38	30.50	1,036.3
United States Fid & Gty Co	37.38	0.7	10.4	1.04	2.8	38.38	37.38	223.5	27.25	4.8	15.1	1.08	4.0	27.25	26.75	182.5
Washington Natl Corp	14.75	0.0	26.8	0.68	4.6	14.75	14.75	54.1	14.75	0.0	26.8	0.68	4.6	14.75	14.75	54.1
Zenith Natl Ins Corp																



The Business Insurance index of insurance industry stocks set another record high during the trading period ending Feb. 12, closing at 328.6, up 3.6 points from the previous record of 325.0 set on Feb. 5. Twenty-eight stocks posted gains during the period, 23 stocks declined and seven were unchanged. The biggest increases were posted by Emett & Chandler Cos. Inc., up 19.1%; Fremont General Corp., up 14.3%; Torchmark Corp., up 12.8%; Protective Corp., up 11.0%; and Aneco Reinsurance Co. Ltd., up 8.3%. The largest losses were posted by Optimum Holding Corp., down 37.5%; Continental Corp., down 6.0%; The St. Paul Cos. Inc., down 4.5%; Mission Insurance Group Inc., down 4.4%; Corroon & Black Corp., down 3.9%. The BI index gained 1.1% during the latest trading period, outperforming the NYSE composite, which gained 0.1% during the same period.



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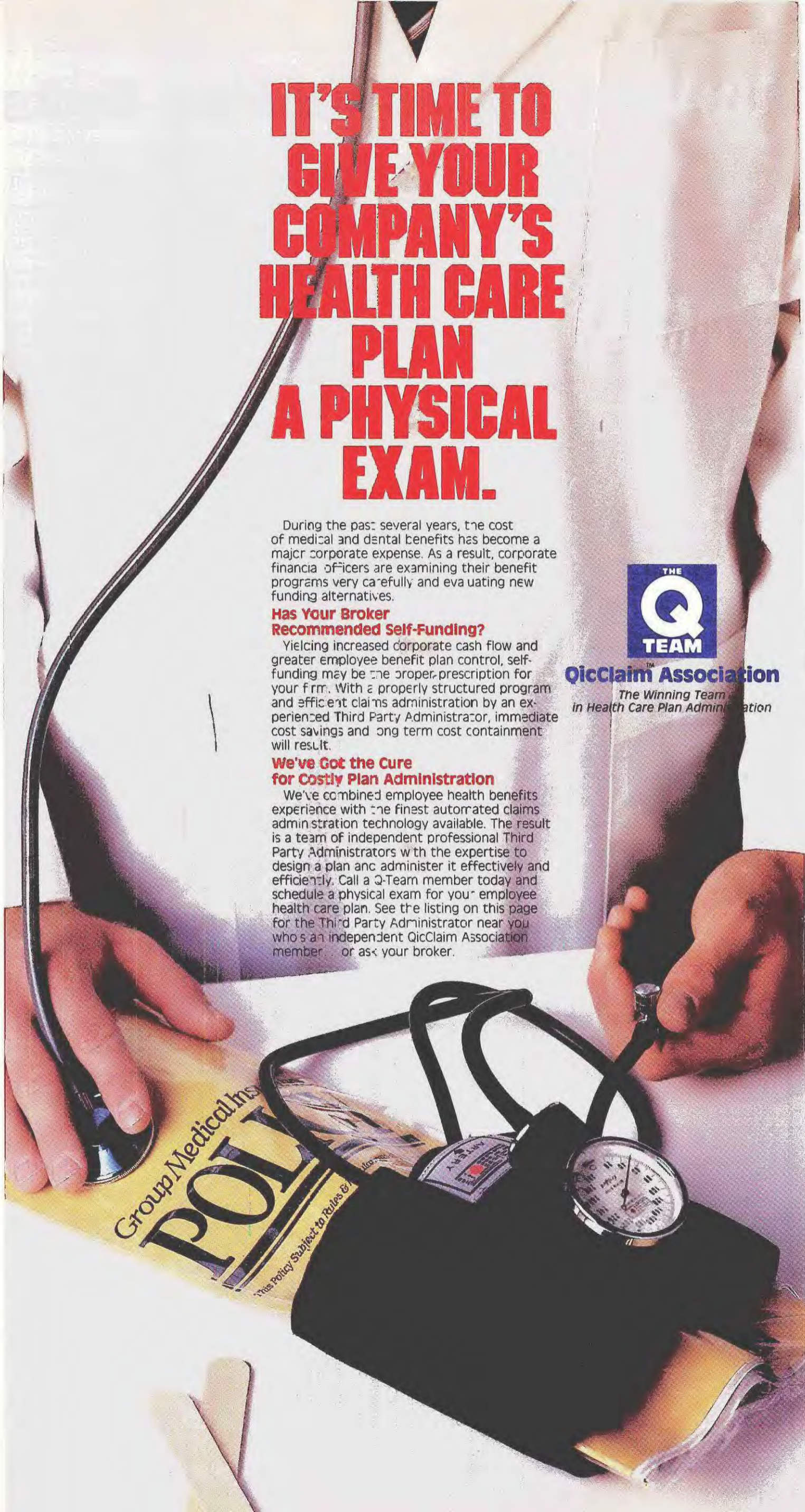
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We've combined employee health benefits experience with the finest automated claims administration technology available. The result is a team of independent professional Third Party Administrators with the expertise to design a plan and administer it effectively and efficiently. Call a Q-Team member today and schedule a physical exam for your employee health care plan. See the listing on this page for the Third Party Administrator near you who is an independent QicClaim Association member... or ask your broker.



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