

Business Insurance

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Insurers expect theft claims from armored car firm's clients

NEW YORK—Insurers of Revere Armored Car Co. are trying to determine the extent to which they are liable for theft claims by Revere customers that have grown to \$40 million.

The Bohemia, N.Y.-based company's owners, Robert and Susanna Scaretta, were charged with theft earlier this month after Citibank and North Fork Bank & Trust Co. reported \$13.5 million in cash missing from Revere's warehouse. Four other banks have since claimed losses, pushing the total re-

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AP/Wide World Photo

President Clinton's speech to Congress stressed the importance of health reform to his economic plan.

Clinton plan raises fears of health cost-shifting

By MARK A. HOFMANN
and CHRISTINE WOOLSEY

WASHINGTON—President Clinton's call to cut increases in federal health care spending could result in large-scale cost-shifting to the private sector.

In addition, based on the president's address to Congress last week, some believe the Clinton health care reform package, to be unveiled this spring, could contain more sticks than carrots.

Other components of the president's economic plan, released in conjunction with the speech, could lead to a reduction in pension benefits for

some highly paid employees.

Under the president's plan to control the cost of federal health care programs, limits would be placed on increases in Medicare and Medicaid reimbursements to providers, though the services covered would not be reduced.

According to the Health and Human Services Department, the limits would save the government about \$3 billion in 1994 and a total of \$62 billion from 1994 through 1998.

But the private sector's health care bill is likely to grow as a result, critics complain.

"For the present, the Medicare cuts will result

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Employer plans hike costs: Study

Tax subsidies, other government policies assailed

By NANCY P. JOHNSON

DALLAS—Government is the primary culprit behind the steady increase in health care costs, according to a new study.

And, the health care system will be immune to reform efforts unless government policies—which do not recognize that consumers respond to prices and incentives—are reversed, says a study by the National Center for Policy Analysis, a Dallas-based conservative think tank.

The NCPA says one way to halt the health care cost spiral is for employers to drop their health care plans, which the

group says are heavily subsidized by the government through its tax policy.

Not everyone agrees with those findings, with some employer and labor groups questioning the study's relevance and methodology.

The main cause of rising health care spending is government, which—including tax subsidies for health insurance—now spends more than "half of our health care dollars," the report states.

The study was based on data from a new NCPA computer model, which tracks supply and demand for many medical services over the past 30 years

"with great accuracy," the group says. The group will use the model to analyze the likely effects of the Clinton administration's health care proposals.

"For the most part, government takes our money and gives it back to us to the degree we consume medical care. It is for that reason that there are opportunities to reduce government health care subsidies without causing serious harm to the public," said NCPA President John C. Goodman, one of the study's authors.

The NCPA proposes a system in which employees purchase their own high-deductible

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Execs target Superfund act

Broad-based coalition weighs cleanup options

By JOANNE WOJCIK

KEYSTONE, Colo.—An unlikely assortment of corporate executives, insurers, and environmentalists are joining forces to develop an alternative to the much-maligned Superfund law.

The 25-member National Commission on Superfund will hold its second meeting next month after an initial gathering in early December at which participants took an oath of secrecy.

Chief executives of corporate giants such as Waste Management Inc., Amoco Corp. and Monsanto Co. will sit down with insurers, environmental advocates, local governments, banks and the citizens whom Superfund is meant to protect in an attempt to invent a better pollution cleanup solution.

Their proposal, to be formu-

lated with the assistance of the Environmental Law Center of the Vermont Law School and the Keystone Center, will be presented to Congress before September 1994, the deadline for reauthorizing the current law.

Two insurance executives are members of the commission: Stephen R. Merrett, chairman of Merrett Holdings P.L.C. in London; and Joseph W. Brown Jr., president and chief executive officer of Crum & Forster Inc. in Basking Ridge, N.J.

The commission is expected to attract the Clinton administration's attention because two of the group's founding members left in November to join the Clinton transition team, said Tim Mealey, associate director of the Keystone Center, a non-profit Colorado organization that facilitates environmental policy dialogue.

J. Gustave Speth, former president of the World Resources Institute, headed the "natural resource cluster" for the presidential transition team.

As a result, Jonathan Lash, former director of the Environ-

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AP/Wide World Photo

Oil spills like the M.V. Braer have had little effect on P&I rates.

P&I clubs hit fleets with poor records

By GAVIN SOUTER

LONDON—The world's shipowners face relatively moderate rate increases of between 10% and 20% as they renew liability coverage with their protection and indemnity clubs.

But, fleets with poor loss records are not only paying the rate increases that all shipowners face; they also are being hit with additional rate hikes of up to 75%.

The clubs attribute the moderate rate hikes to higher retentions and increasing liability awards.

The rate increases do not stem from recent oil spills in

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Update

Insurers face theft claims

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portedly missing to \$40 million. They are KeyCorp, Fleet/Norstar Financial Group Inc., Marine Midland Bank and National Westminster Bank.

The FBI is investigating whether other Revere employees committed theft. Revere, which handled billions of dollars of cash for 875 clients, was placed in receivership last week.

Revere had a \$1 million primary policy covering property in its possession written by Sun Insurance Co. of New York, through Sun affiliate William H. McGee & Co. In addition, underwriters at Lloyd's of London and other London markets wrote \$99 million of coverage in several layers in excess of \$1 million. Lloyd's syndicate 79, managed by Janson Green Ltd., led the excess program.

Revere's insurers have received claims from the banks but have not yet received detailed proofs of loss, said Martin Flannery Jr., a partner with Bigham, Englar, Jones & Houston in New York, which represents the insurers.

The insurers have not yet determined how much their policies will cover, Mr. Flannery said.

The banks also have bankers blanket bond coverage, and Revere's insurers will try to determine whether these policies should also respond to the losses, he said.

Employers should pay: HIAA

WASHINGTON—The Health Insurance Assn. of America, in another break with its traditional positions, wants the federal government to require employers to pay at least a portion of the cost of workers' health care coverage.

"We are reserving judgment on how the costs should be shared between employer and employee, recognizing that there are practical limits on the ability of both employers and employees to shoulder the financial costs of a health care mandate," said a statement approved by the HIAA's board. The group also advocates government subsidies to help some businesses pay for coverage, but added that employers "cannot 'opt out' by paying a tax instead."

The HIAA, which represents health insurers, late last year recommended that all employers offer an undefined basic package of health care benefits and that workers be taxed on employer-provided benefits that exceed the basic package (BI, Dec. 7, 1992). The HIAA previously had opposed any tax on health care benefits.

Lloyd's cuts staff, expenses

LONDON—The Corporation of Lloyd's of London will lose nearly 30% of its staff by year end as part of its efforts to reduce the budget to 115 million pounds (\$166.8 million) from 144.5 million pounds (\$218.8 million at the applicable exchange rate) last year (BI, Feb. 15).

Staff has already been cut this year to 1,900 from 2,200, and another 300 jobs are expected to go by year end, said Lloyd's Chief Executive Peter Middleton. The staff cuts are not as steep in the claims division or the Lloyd's Policy Signing Office, because those areas provide policyholder services, he said.

Lloyd's also will "substantially" reduce its entertainment budget, ax an electronic data systems development project and cut travel.

But the once-controversial lights will continue to shine on the Lloyd's building, both for security reasons and because it is now a London landmark, said Mr. Middleton.

Mr. Middleton said he hopes the cost cutting will set an example for agencies across the market to reduce their overhead. Lloyd's business plan, to be published at the end of April, additionally should help reduce the market's expenses.

PBGC's deficit increases

WASHINGTON—The Pension Benefit Guaranty Corp.'s total deficit grew to \$2.4 billion at the end of fiscal 1992 from \$2.3 billion a year earlier.

The PBGC last week reported losses of \$825 million due to plan underfunding and terminations to single-employer plans in the 12 months ending Sept. 30, 1992, compared with termination losses of about \$1.05 billion in the previous fiscal year (BI, Feb. 24, 1992).

The PBGC estimates that single-employer plans it insures have assets of about \$1 trillion and liabilities of about \$900 billion.

However, underfunding of plans has become a more serious problem, with underfunded plans reporting liabilities of \$214 billion against assets of \$163 billion in fiscal 1992. The \$51 billion deficit is 28% greater than the deficit at the end of fiscal 1991.

Dowd named to Hodson posts

NEW YORK—James F. Dowd, former chairman and chief executive officer of Skandia America Reinsurance Corp., has been named chairman and CEO of reinsurance broker G.L. Hodson & Son Inc., a unit of London-based Willis Corroon Group P.L.C.

Mr. Dowd, who spent 21 years with Skandia America, resigned abruptly last October after parent Skandia Group canceled an initial public offering for its U.S. unit (BI, Oct. 19, 1992).

Stephen Crane will relinquish his role as CEO of Hodson, but will remain president. He also has been named development director of Willis Faber & Dumas Ltd., the Willis Corroon division responsible for overseas reinsurance and specialty risk brokerage.

Although a spokesman for Willis Corroon wouldn't say whether Mr. Dowd's appointment is a sign that Hodson will expand, "It's a sign that we don't intend to leave Hodson as it is. It's an important area of business for us."

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Washington comp success facing challenge by labor

By LOUISE KERTESZ

OLYMPIA, Wash.—Government, business and labor leaders in Washington state face a big challenge: maintaining the cooperative spirit that has yielded dramatic improvements in the state's workers compensation system since 1985.

That collaboration could be threatened by labor-backed legislation that would increase workers comp benefits.

Employers fear that if the higher benefits are adopted, it could wipe out the fiscal improvements in the state's exclusive workers comp fund achieved after years of reforms.

Labor groups are pressing their agenda because of the new Democratic majority in both houses of

Washington's Legislature and a new Democratic governor, business leaders say.

"With the mandate of the elections, labor is not being very cooperative. They're getting greedy," asserted Don Brunell, president of the Assn. of Washington Businesses in Olympia.

One controversial bill is H.B. 1248. The measure, sponsored by Rep. Richard King, D-Everett, would increase the maximum cap on wage replacement benefits for injured workers to twice the state's average wage—or to \$47,000 annually—by 1997. The projected cost to the Washington State Fund, the state's sole workers comp insurer, and to self-insured employers: \$152 million.

The current cap is \$1,973.50 per month—100% of

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Gen Re, Berkley to combine units
Proposed joint venture to operate North Star Re, Signet

By DOUGLAS McLEOD

STAMFORD, Conn.—General Re Corp. is spinning off its only broker market reinsurance subsidiary into a new joint venture with W.R. Berkley Corp.

The two companies last week announced plans to form a new jointly owned holding company that will acquire North Star Reinsurance Corp., a General Re unit, and Signet Reinsurance Co., a Berkley unit.

The holding company, which does not yet have a name, will be 60%-owned by Berkley and 40%-owned by General Re, which will

also receive convertible debentures and notes as part of the deal.

Industry analysts generally praised the plan, noting it allows General Re to spin off an underperforming subsidiary that hasn't fit well with General Re's direct-writing reinsurance operations.

Berkley, meanwhile, gains effective control of a highly capitalized reinsurance operation that should perform better in the broker market than either North Star or Signet Re could alone, analysts say.

North Star and Signet Re to-

gether wrote net premiums of \$184 million in 1992 and had combined policyholder surplus of \$232 million at year end.

North Star, the larger of the two reinsurers, recorded about \$154 million in net written premiums last year on surplus of \$131 million, a Berkley spokesman said. Signet Re wrote only about \$30 million in net premiums on \$101 million in surplus, the spokesman said.

In 1991, North Star recorded net premiums of \$189.5 million and surplus of \$153.7 million. Its combined ratio hit 121.3%, signi-

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Benefit system software listing responses due

Business Insurance will publish its annual directory of employee benefit information system vendors in the March 29 issue.

That issue also will contain a spotlight report on trends in employee benefit plan design and administration.

There is no charge for employee benefit software companies to be included in the directory. However, companies must request and return a questionnaire provided by Business Insurance in order to be listed.

If your company produces and supplies proprietary software products to corporate employee benefit department personnel and you have not yet received a questionnaire, please request one by calling Kathy Welyki at 312-649-5279.

The extended deadline for returning completed questionnaires is Feb. 28.

Skyscraper fire ignites litigation

By MICHAEL SCHACHNER

PHILADELPHIA—Aetna Casualty & Surety Co. is suing the owner of a Philadelphia skyscraper severely damaged by a massive 1991 fire, claiming the owner's failure to repair the building and recent resistance to Aetna's attempts to begin reconstruction constitute a breach of policy terms.

Aetna's suit, filed Tuesday in U.S. District Court in Manhattan, alleges that E/R Associates Inc., the owner of the One Meridian Plaza skyscraper, violated its \$1 billion blanket property policy by failing to come up with a plausible reconstruction plan for the 38-floor high-rise.

E/R also breached the policy by blocking Aetna's recent efforts to begin repairs on its own, the suit says.

The 12-alarm fire, which burned for two days in February 1991, killed three firefighters, injured dozens of others and destroyed eight of the building's tenant-occupied floors (BI, March 4, 1991).

Aetna's suit asks the court to grant it permission to begin repairs while paying E/R \$68.3 million, which the insurer maintains is the actual cash value of the building.

As a second option, Aetna has offered to pay E/R the \$157.1 million replacement cost for the building if E/R repairs the building within a reasonable amount of time.

Aetna believes that "more than a reasonable amount of

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✓ Risk managers must prepare for stricter underwriting in a tighter property insurance market, Michael J. Hudson says in Perspectives. **PAGE 15**

✓ The NAIC's model law on risk-based capital for life/health insurers contains "a new insurance gag rule," an insurance professor charges. **PAGE 16**

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✓ Congress is more likely to vote on health care reform legislation in 1994 than this year, predicts a congressional adviser. **PAGE 22**

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Businesses protest work comp inaction

Employers criticize California leaders for ignoring need for reforms during state's economic summit

By JOANNE WOJCIC

LOS ANGELES—Driven by their anger over escalating workers compensation costs, a group of 200 California business people, mainly small employers, last week took to the streets to draw state legislators' attention to the need for system reforms.

While most of the state's lawmakers, including Gov. Pete Wilson, huddled with economists and business leaders inside the posh ballroom of the Biltmore Hotel to discuss California's economic woes, sign-carrying demonstrators were ushered out onto the sidewalk by hotel security guards.

But the employers were undaunted by the attempt to have them removed from the California Economic Summit, which was organized and hosted by Assembly Speaker Willie Brown Jr., D-San Francisco, and began marching around the downtown hotel calling for his resignation.

Efforts by some legislators and Gov. Wilson to placate the protesters did not meet with much success.

Most of the employers wore T-shirts bearing the international symbol for "no"—a red circle with a slash drawn through it—printed over the words "Work Comp Fraud."

"Workers compensation fraud is putting small employers out of business, but Willie Brown doesn't even have workers compensation on the agenda," asserted Irwin Trester, a labor law attorney and co-founder of the Los Angeles-based Independent Business Coalition Against Workers Compensation Fraud.

Although Mr. Trester had contacted many of the coalition's 4,000 members to participate in the half-day demonstration, many of the employers that arrived with their homemade signs were not affiliated with the group.

"These business people have

given up their own time" to make their views known, said Douglas A. Cianfrocca, an independent insurance agent, who was escorted out of the hotel after he walked through the lobby carrying a sign that said "It's Work Comp Reform, Stupid!"

"I have one client who saw his work comp premium grow to \$1.5 million last year from \$1 million in 1988, even after slashing his workforce to 350 people from 850," he said.

"If they don't get something done in work comp reform, we'll go out of business," said Gary Daitch, president of B&G Apparel Inc. in Los Angeles.

Mr. Daitch, who has employed about 200 people in the Los An-



Assembly Speaker Willie L. Brown Jr., flanked by Gov. Pete Wilson, spoke at the California Economic Summit while protestors outside called for his resignation.

geles garment district since 1978, recently saw his workers compensation premiums climb to \$240,000 a year from \$50,000.

"Our work comp premium went up 67% since last year," concurred Pravin Mody, president of Prudential Insurance Co. of America in Washington. *Continued on page 16*

Is there security in numbers?

Insurer executives warn that surplus is misleading

By SARA MARLEY

ORLANDO—Risk managers should scrutinize the financial health of their insurers because the property/casualty insurance industry may not be as healthy as it says it is, industry leaders say.

The insurance industry's estimated statutory surplus of more than \$160 billion is misleading, said Dean R. O'Hare, chairman and chief executive officer of Warren, N.J.-based Chubb Corp.

Underestimated loss adjustment expenses, environmental liability exposures and unrecoverable reinsurance all reduce the size of the industry's true surplus, Mr. O'Hare said during a wide-ranging panel discussion at the American Bankers Assn.'s National Security and Risk Management Conference earlier this month.

The Insurance Services Office Inc. estimates the property/casualty insurance industry's loss reserves were 11% to 14% deficient at the end of 1991, or \$38 billion to \$50 billion short, Mr. O'Hare pointed out. That deficit represented 24% to 32% of the industry's surplus as of that date.

Several insurers have recently announced they will strengthen loss reserves, including Aetna Life & Casualty Co., CNA Financial Corp. and Travelers Corp. (BI, Feb. 15; Feb. 8).

Another panelist said the failure of a large insurer would point out the industry's shortcomings.



Industry executives John Sinnott, Dean O'Hare and Stephen Merrett (left to right) discuss insurers' health at an American Bankers Assn. meeting.

It will take a significant insolvency, with which state guaranty funds will be unable to cope, before the property/casualty insurance industry "comes to realize it is as poorly capitalized as it is," said Stephen R. Merrett, chairman of Merrett Holdings P.L.C. in London.

Insurers have two options to combat the capital crunch, he said: "Either make so much money in other lines of business they are able to take big hits, or begin to take the underlying message and pull out of areas of particular exposure."

However, Mr. Merrett observed, some insurers have only limited their exposure by restricting their writing in certain narrow areas of Florida and Ha-

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Firms fault ADA-related job regulations

By MEG FLETCHER

WASHINGTON—Many of the 250,000 U.S. companies doing business with the federal government are facing burdensome and confusing regulations governing job applicants and employees with disabilities.

The proposed rules are meant to harmonize the Americans with Disabilities Act with Section 503 of the 1973 Rehabilitation Act, which requires government contractors to take affirmative action to employ and promote qualified disabled persons.

The proposals drafted by the Office of Federal Contract Compliance Programs, a Labor Department branch that administers Section 503, create new burdens on government contractors, said Jeffrey A. Norris, president of the Equal Employment Advisory Council in Washington. The council is a non-profit group of 250 private-sector employers, mostly government contractors.

In addition, some of the proposals, which could be finalized by next month, contain "significant revisions" that appear to conflict with provisions of the ADA, Mr. Norris said. For example, one proposal requires employers to retain applicant records for two years rather than one.

The ADA's employment provisions, which took effect last year for private companies with at least 25 employees, bans discrimination in employment against individuals with disabilities (BI, July 13, 1992). ADA employment complaints can be filed with either the Equal Employment Opportunity Commission or the OFCCP. Guidelines were adopted last year to deter-

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Insurer regulation bills on back burner

By MARK A. HOFMANN

WASHINGTON—Neither federal insurer solvency regulation nor changes to the McCarran-Ferguson Act is likely to win congressional approval this year, insurance industry and consumer representatives agree.

Instead, the three insurance issues that will dominate congressional attention in 1993 are "health insurance, health insurance and health insurance," predicted Kevin Cronin, Washington counsel for the National Assn. of Insurance Commissioners.

Mr. Cronin offered his assessment last week at the annual leg-

islative conference of the National Assn. of Casualty & Surety Agents, a group of property/casualty insurance agents and brokers.

Mr. Cronin said he doesn't think the Clinton administration has much interest in whether the federal government or the states should regulate insurer solvency.

And, only one panelist predicted that a solvency regulation bill could be on the congressional agenda this session.

Andrew Wright predicted that a new version of the "dual regulation" bill introduced last year by House Energy and Commerce Committee Chairman John Dingell, D-Mich., had a chance of

Little action seen on Dingell plan, McCarran reform

re-emerging (BI, April 20, 1992).

Mr. Wright, vp-federal affairs for the Washington-based American Insurance Assn., said that Rep. Dingell's staff is revising the legislation, H.R. 4900, which the AIA considered a "very positive first step" toward improving solvency regulation.

Under the bill, property/casualty and life/health insurers would have the option of being regulated by the states or by a

proposed Federal Insurance Solvency Commission. Insurers opting for federal solvency regulation would be exempt from state solvency rules, including participation in state guaranty funds, but would be required to follow state rate, form and market conduct rules.

States opting for federal regulation would participate in a federally operated guaranty fund that would be prefunded through insurer assessments.

However, if the bill is reintroduced, "I see its chances of even getting through the House to be very slim," retorted Steve Brobeck, executive director of the Consumer Federation of America

in Washington. He said the bill has "no support" within the consumer community.

In addition, members of Congress aren't likely to act on a federal solvency regulation bill because "their constituents are not clamoring for passage," and insurance agents—a politically powerful group who generally oppose the measure—are making their concerns heard, he said.

The need to pass such legislation "has evaporated"; there is no crisis of confidence regarding insurer solvency, said Laurie McCarty, vp-government relations for Prudential Insurance Co. of America in Washington.

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NCPA study

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health care policies and pay for routine health costs through medical savings accounts. These accounts would be similar to flexible spending accounts, except that funds left over at year end could be rolled over.

"We are suggesting that health insurance not be employer-based anymore. We are trying to get the employer to not have to be bogged down with health care," said Merrill Matthews Jr., director of the NCPA's Center for Health Policy Studies. "The vast majority of employers have no desire to be in the health care industry."

According to the report, the current health care system operates on 10 principles:

- Prices matter to consumers.
- A 10% drop in the out-of-

pocket price of medical services causes a 4% increase in demand, and a 10% drop in the price of health insurance—after adjusting for tax subsidies for employer-provided coverage—causes a 6.5% rise in demand.

- Health care spending has been rising because prices paid by patients have been falling.

During the past 30 years, the share of income spent out-of-pocket on health care has actually declined, falling to 3.6% in 1990 from 4% of total consumption expenditures in 1960.

- Most Americans have been overinsured because of government policies.

One-fourth of all Americans are insured directly through first-dollar government programs like Medicare and Medicaid. Also, every dollar of health insurance premiums paid by an employer escapes income tax,

Social Security tax, and state and local taxes.

While the federal government "generously subsidizes third-party insurance by excluding it from taxable income, it discourages self-insurance (by individuals) by taxing income that individuals try to save for future medical expenses," the study says.

- Because the supply of health care is inelastic, increases in health care demand result mainly in higher prices rather than more services.

- The main cause of increased health care spending is government policy, which influences the market through direct spending programs, tax subsidies and regulation.

- Because of third-party insurance and government subsidies, the cost of health care is largely hidden from most Ameri-

can families.

The 1992 national health care outlay was equal to \$8,821 per U.S. household. But for an average family, the visible outlays were \$1,715 for out-of-pocket expenses and \$574 for health insurance premiums.

- Because of third-party insurance and government subsidies, the most costly services are often the least expensive for patients, while the least expensive services are often the most costly.

- Because of government policy, many Americans are uninsured.

"First, the largest subsidies go to those who need them least: people who probably would purchase health insurance without any tax encouragement. Second, current tax law penalizes people who purchase their own health insurance, encouraging them to

postpone becoming insured until they can do so through an employer. Third, tax law encourages an employer-based system under which people who switch jobs can lose their coverage—and become uninsurable—after they get sick. Finally, the current system shelters the largest employers (which self-insure), leaving individuals and small businesses vulnerable to the cost-increasing effects of state regulation."

- On the average, government spends about \$2 to obtain \$1 of real health care services.

- Increases in government health care spending have a significant negative impact on the rest of the economy.

"In order to fund the spending, government must raise marginal tax rates, an act that depresses the economy and results in less total output. Second, government spending on health care causes resources to be bid away from other sectors, and consumers pay a heavy price in terms of other consumption that they must forgo."

Critics say the NCPA's methodology may be flawed.

"I question the model," said Sharon Canner, assistant vp-industrial relations at the National Assn. of Manufacturers in Washington. "How do we know this is a reliable model and the best model to analyze the health care problem?"

The NCPA suggests 'health insurance not be employer-based anymore,' says Merrill Matthews Jr.

Ms. Canner said the study does not address how risk would be spread, or individuals' need for information if they are to be smarter health care consumers. In addition, she said, the study does not address preventative care as a cost-saving measure, and says nothing about equating costs with quality of care.

"This is an untimely piece because it seems we are beyond placing blame and we are moving toward real health care reform," said Claudia Bradbury, policy associate at the AFL-CIO.

It appears the report is saying that "consumers are over-consuming, and not paying their fair share," she added. "We strongly refute that working families haven't paid their fair share—that they have been given a free ride. That free ride came at the cost of sacrifices in wages and increases in other benefit and compensation areas. Our workers have had to trade off health care benefits for virtually every other bargaining issue."

The Assn. of Private Pension & Welfare Plans disagrees the government is the main villain in the health care crisis.

"It is much too simple to cast all the blame on one player in the health care system," said Ellen Goldstein, director of health policy at the APPWP in Washington. But, she added, the APPWP does agree that "the employee tax exclusion should be limited to basic coverage."

• Copies of the report, "How Our Health Care System Works," are available for \$10. Contact The National Center for Policy Analysis, 12655 N. Central Expressway, Suite 720, Dallas, Texas 75243-1739; 214-386-6272.



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PROPERTY • HPR • SPECIAL RISK

Employers plan to comply with 404(c) regs

Benefit Beat

Only about half of the employers that offer defined contribution savings plans currently comply with new federal regulations that can relieve employers of fiduciary responsibility for losses resulting from employees' investment decisions, according to two surveys.

However, many of the employers that do not currently comply with the voluntary regulations issued by the U.S. Labor Department under Section 404(c) of the Employee Retirement Income Security Act of 1974 intend to comply, according to one of the studies.

The regulations require that employers offer plan participants at least three diversified investment choices, each with materially different risk and return characteristics. Also, participants would have to be

given the opportunity to switch from one fund to another at least quarterly. And, employers must provide sufficient information for participants to make informed investment decisions. The rules generally take effect Jan. 1, 1994 (*BI*, Oct. 12, 1992).

In an A. Foster Higgins & Co. Inc. survey, 44% of 68 employers said their 401(k) plans comply with the 404(c) regulations. Half of the employers said their 401(k) plans do not comply with the regulations, while 6% were not sure.

Of those employers that do not comply with the regulations, 39% intend to make changes to their

plans to comply with the regulations. Thirty-two percent are not sure if they will comply, while 29% do not intend to comply.

"While some employers are changing their savings plans to comply, others believe the added security is minimal and are foregoing the protection," noted Brian Ternoe, a principal in Foster Higgins' Princeton, N.J., office.

Of the employers that do not intend to comply with the regulations, 63% said the additional protection they would receive is minimal; 32% said making changes in their plans would be too expensive; and 25% said they do not need the added security. Some employers cited more than one reason for not changing their plans.

In a separate survey conducted

by William M. Mercer Inc., approximately three-quarters of 137 large employers said their 401(k) plans offer a sufficiently diverse investment portfolio and allow transfers among funds in the portfolio frequently enough to satisfy the 404(c) regulations.

However, only 52% of the companies said their 401(k) plans comply with the disclosure standards of the regulations.

This fact "suggests that although many have expanded investment options, relatively few appear to have focused on the full compliance process," noted Anna M. Rappaport, a managing director in Mercer's Chicago office.

The Foster Higgins survey is not available to the public. For a free copy of the Mercer survey, contact

William M. Mercer's public relations department, 1166 Ave. of the Americas, New York, N.Y. 10036; 212-345-7584.

—By Deborah Shalowitz

Early retirement study

Employers that offer a voluntary early retirement plan should be prepared to lose more employees than they might want, including key people they would prefer to retain, a new study finds.

Early retirement incentives—such as enhanced pension benefits, severance pay and retraining and transition benefits—are attracting a greater number of takers than ever before, reports a study by Right Associates, a Philadelphia-based consulting firm.

Acceptance levels are exceeding initial employer projections by as much as 50% in many cases, the study finds.

Early retirement is no longer equated with being put out to pasture, the study's authors say.

Instead, voluntary early retirement is now considered a means by which employees, especially upper-level executives, can leave their company on amicable terms and pursue other job interests, such as consulting or free-lancing, said John Bourbeau, a managing principal with Right Associates in Detroit.

"For a variety of reasons, early retirement is being welcomed by many employees. They see major changes occurring at their firm, so they say to themselves, 'I've put in some good years here, with this assistance I can do something new,'" Mr. Bourbeau explained.

The survey, which polled 1,100 human resource professionals nationwide, found that the number of employees opting for early retirement exceeded expectations in 31% of the programs.

When respondents were asked whether valued employees that the company would have preferred to retain opted for the program, 63% said yes.

"The downside of offering a voluntary program is that it has to be made available to everyone in a certain class. The best way to retain the so-called 'keepers' is to approach them before the program is offered and explain that you want them to stay and that the future looks good for them," Mr. Bourbeau said.

Early retirement plans offer a wide range of benefits to attract eligible employees.

For example, approximately 81% of recent early retirement programs included a severance payout of some form; 70% enhanced pension benefits; and 55% offered career transition services.

In addition, 52% of the plans offered retirement transition services; 43% included financial planning services; and 23% offered education and training support as well as counseling for family members.

Mr. Bourbeau also noted that many early retirement plans promise to include retirees in existing medical benefit plans, even if the company is planning to scale back or eliminate retiree benefits.

"With all the drastic changes being made to health care benefits for retirees, many of these retirement windows are allowing the participants to be grandfathered into an existing benefit plan that is scheduled for elimination," he said.

For a free copy of the survey, contact Cheryl Fox, Senior Marketing Analyst, Right Associates, 1818 Market St., 14th Floor, Philadelphia, Pa. 19103; 215-988-1588.

—By Michael Schachner

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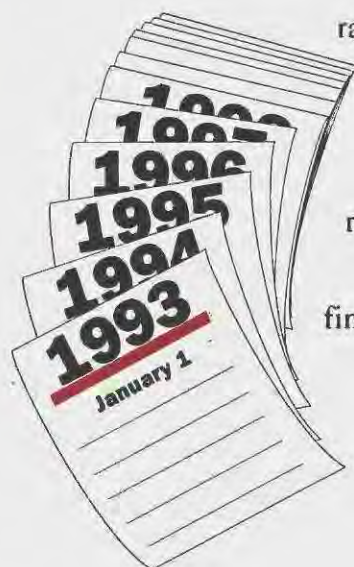
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Opinions

Stop AIDS discrimination

LAST WEEK, PRESIDENT Clinton briefly outlined his vision of a reformed U.S. health care system when he told Congress: "No one will be denied the coverage that they need."

Thirty-six million Americans do not have health care coverage. However, many individuals who are covered by an employer health care plan do not have any coverage if they contract the virus that causes the most feared of diseases: AIDS.

Companies give many reasons why they do not provide coverage for people with the HIV virus or AIDS: Treatment costs too much, AIDS is a "lifestyle"-related disease and so on. But employers that claim they cannot afford to cover treatment for HIV and AIDS still cover organ transplants and other procedures, which are much more costly.

And, many employers that deny coverage to those who contract HIV or AIDS because of their "lifestyle"—meaning through sexual activity or drug abuse—still cover treatment for lifestyle-related ailments like smoking-related cancer and heart disease, various other sexually transmitted diseases, and alcohol and drug addiction.

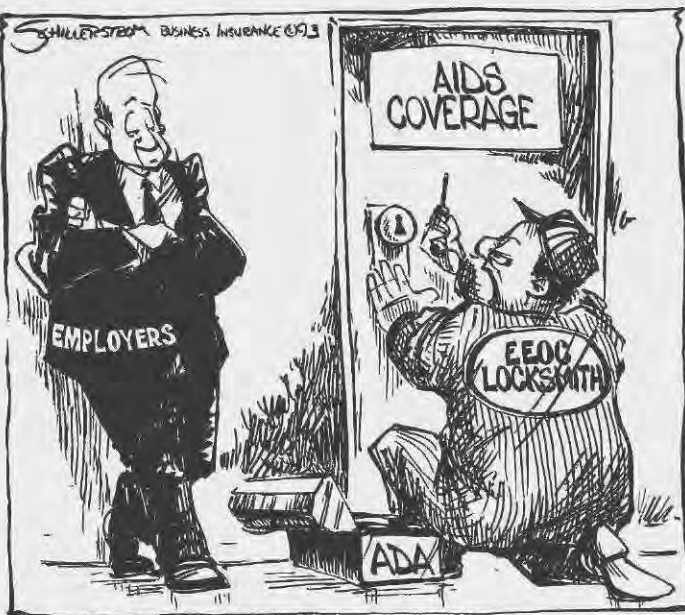
In other words, those employers that do not provide coverage for AIDS-related treatment simply are discriminating against certain classes of people—for whatever reason.

Thank goodness these employers are relatively few and far between. And, some that have tried to deny coverage for AIDS and HIV have changed their mind. Circle K Corp. in 1988 abandoned its controversial exclusion of coverage for lifestyle-related claims like AIDS and alcohol abuse treatment after employees complained to civil liberties groups.

However, some persist—with court approval. Two federal courts have ruled that nothing in the Employment Retirement Income Security Act forces a self-insured employer to provide equitable health care benefits for people with AIDS or HIV.

The U.S. Supreme Court refused to review the case, which involved a Texas employer with a self-insured health plan that caps AIDS benefits at \$5,000.

While courts have ruled that employers can essentially



"WHAT I CAN'T FIGURE OUT IS WHY YOU LOCKED IT IN THE FIRST PLACE!"

discriminate against people with AIDS, the Equal Employment Opportunity Commission feels differently. An EEOC official last month ruled that a self-insured union health plan that refused to pay for HIV or AIDS treatment is discriminatory under the Americans With Disabilities Act. The decision still must be reviewed by the full EEOC.

Unfortunately, under the ADA, the EEOC cannot order the union to cover HIV or AIDS treatment; it must allow the union to attempt to negotiate a settlement and, if that fails, the agency can file a lawsuit against the union.

Still, the EEOC official's ruling is a promising first step toward making sure that all Americans have coverage for this dreaded disease.

Any new health care reform law will most likely force employers to cover treatment for AIDS and HIV, just as they cover any other disease, if truly "no one will be denied the coverage that they need." Employers shouldn't wait for that day, however. They should do it now—because it's the right thing to do.

Letters

Clinton advisers offer no hope for effective health reform

To the editor: The media has been full of reports about "Hillary's Hundred," the group of so-called experts being gathered to advise the health care reform task force. In the Feb. 15 issue, you reported on how four members of the Jackson Hole Group and a California regulator have been added on as consultants. Because these appointments are indicative of the type of people being sought out, not much hope for an effective solution to the health care financing problem can truly exist.

People like Paul Ellwood, Alain Enthoven, Lynn Etheridge and Paul Staff are essentially ivory-tower academicians who bring nothing more than tired pet theories to the table. Only now, they are being

given a chance to use our entire society as a giant laboratory to play with. As for Walter Zelman, the California regulator, we in the industry have seen what we can expect that contribution to be. To paraphrase an old adage: "Those who can, do; those who can't, regulate."

There is nothing really new about the ideas being credited to the Jackson Hole Group, nothing that hasn't been known or contemplated by health insurance actuaries for years. Some of the ideas are good ones, others probably are not. The major problem with the people being gathered to advise Ms. Clinton's task force is that none of them have any market experience in the real world. They do not under-

stand the true nature of risk selection, the way employers buy insurance or finance their benefit costs, how human nature influences the insurance purchasing and claims submissions processes, and they certainly do not understand the "business of insurance."

The best advice will come not from the intellectual elite of the medical economics community, but from people who have gained an appreciation for the big picture because they have fought in the trenches.

Hobson D. Carroll
President
Medical Reinsurance
Underwriters Inc.
Minneapolis

Debate alive and well over using loser-pays rule in U.S. system

To the editor: To my surprise, the reporter who covered the recent American Tort Reform Assn. symposium on the "En-

glish Rule" in lawsuits (whereby the loser pays the winner's legal costs) discerned a consensus among the panel members that the rule would not translate well to the United States (*BI*, Feb. 8). As one of the four panelists, I saw no such consensus.

I devoted my half-hour presentation to arguing in what I hope was a spirited way for bringing the loser-pays principle to the United States. U.S. District Judge William Schwarzer maintained the opposite view with equal vigor, before going on to outline a proposal for "offers of judgment" that would aim at some of the same objectives using different means.

The remarks of the other two panelists—Acting U.S. Attorney General Stuart Gerson and Duke University Professor Thomas Rowe—were, in my opinion, basically even-handed. Mr. Rowe did discuss some of the possible drawbacks of fee-shifting, but his caveats were so moderate that even an English Rule advocate like myself could agree with nearly all of them.

The debate on the need for an English Rule is very much alive.

Walter Olson
Senior Fellow
Manhattan Institute
Wilton, Conn.

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Insurer surplus

Continued from page 3

wall that were hit by hurricanes in 1992, "as if future storms will follow the precise path."

A lack of underwriting discipline is one of the most significant problems facing insurers, Chubb's Mr. O'Hare agreed.

Catastrophic losses have led some insurers to sell investments to offset underwriting losses with realized capital gains, he said.

"They are left with portfolios of current, lower yields... reducing their ability to support surplus through their portfolios," Mr. O'Hare said.

"Erosion of surplus is not just a North American problem," he added.

Despite an increasingly international business world, "the number of truly global (insurance) companies will decrease," Mr. O'Hare observed. "Quality capacity is going to shrink worldwide, and that will have a significant impact on the insurance buyer."

While capacity at Lloyd's of London has shrunk, the panelists agreed that market is financially sound.

"We have no reason to believe Lloyd's and its syndicates are not in a claims-paying position," said John T. Sinnott, president and co-chief executive officer of Marsh & McLennan Cos. Inc. However, "We are required to look at the situation of individual syndicates."

"Lloyd's has made a wholesale commitment to structural changes," Mr. Merrett said. Those changes include the separation of management and regulation of the market, centralization and greater sensitivity to the policyholder.

While the number of syndicates and names will likely decrease, the size of syndicates will increase, he said.

"That is not to exclude smaller syndicates, but they will become part of larger entities" through the use of managing agents, he said.

"The change in the market itself is already spectacular," Mr. Merrett said. Hurricane "Andrew had the potential to be a devastating claim because of Lloyd's function as a high-level reinsurer. The actual loss arising has not been significant in any way."

Property/casualty insurers would be forced to increase their capital if either federal solvency regulation or risk-based capital standards are enacted, according to Mr. O'Hare.

"The ability to choose between federal or state regulation—as banks do—is probably the preferred solution," he noted.

Banks "have already felt the impact of risk-based capital standards, and despite dire predictions, the banking industry hasn't come crumbling down," Mr. O'Hare said. "We do not expect that similar guidelines being developed by the National Assn. of Insurance Commissioners will drastically alter the way we do business. The need for such standards, however, reflects a concern about the financial integrity of our institutions."

Ultimately, buyers are responsible for demanding better service and security from their insurers, Mr. Merrett pointed out.

"If you take no notice of the problems stark in front of you, you will end up with the sort of insurance industry you deserve," he said.

BI

Superfund called unfair to U.S. insurers

Pollution liability law counterproductive, costly: AIG exec

By SARA MARLEY

ORLANDO—The government's social agenda is overburdening the insurance industry, particularly with regard to pollution cleanup costs, an insurance executive says.

"Congress, regulators and some states hold the insurance industry liable for risks they didn't insure," said L. Oakley Johnson, vp of corporate affairs

for American International Group Inc. in Washington. "It alters the fundamental nature of insurance from splitting risk to absorbing risk. We are moving rapidly toward a no-fault system."

In addition, courts increasingly are broadly interpreting policy language in favor of policyholders, Mr. Johnson said.

U.S. insurers are at a competitive disadvantage with their for-

eign counterparts because the U.S. government is passing polluters' responsibility on to insurers, Mr. Johnson said at the American Bankers Assn. National Security and Risk Management Conference earlier this month. His remarks were based on a speech prepared by AIG Chairman Maurice R. Greenberg, who was unable to attend due to illness.

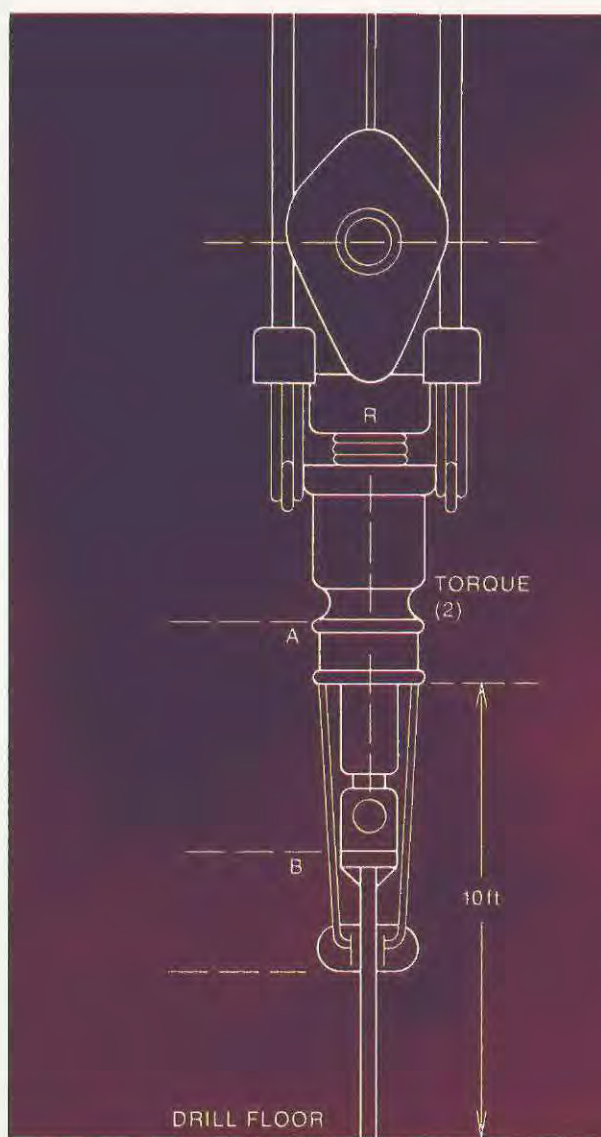
Corporations in no other na-

tion carry a liability burden as great as in the United States, Mr. Johnson said. "No other nation has the mingling of state and federal regulation. No other nation has a system of cleaning up the environment as counterproductive, costly and unfair as Superfund."

Since the Superfund law—formally known as the Comprehensive Environmental Response, Compensation and Liability Act—was passed in 1980, only 100 of

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THE HOM



OLD PROS ON

Continued from previous page
1,400 sites on the government's priority list have been cleaned up, with billions of dollars spent on litigation instead of mitigation, Mr. Johnson said.

Calling retroactive pollution liability a "ticking time bomb," he asserted that the concept of finite risk is fading.

When liability policies were written decades ago, "underwriters knew the law and were confident it wouldn't change over the life of the policy." Since then, however, "limits have been expanded and coverage found for which no pre-

mium was paid."

The burden will ultimately reduce capacity, Mr. Johnson said.

Because "finite capital can't support infinite risk, fewer companies will write large industrial and commercial risks." "Capital will no longer flow to an industry that can't deliver reasonable returns. In an environment of ever-expanding retroactive liability, an insurance company responsible to shareholders can't continue to write business for which limits are unknown and constantly changing."

AIG has proposed that a 2% tax be imposed on commercial

insurance premiums, with an equivalent assessment on self-insurers, to fund the cleanup of

pollution resulting from past waste disposal (BI, March 6, 1989).

ABA conference attracts 750

ORLANDO—Approximately 750 risk and security managers attended the American Bankers Assn.'s National Security and Risk Management Conference, held at the Peabody Orlando hotel earlier this month.

In addition to risk management topics, sessions were

held on automated teller machine, physical and computer security.

The 1994 meeting will be held Jan. 23-26 at the Pointe Hilton Resort in Phoenix. For more information contact the ABA, 1120 Connecticut Ave. N.W., Washington, D.C. 20036; 202-663-5400.

Insurer solvency

Continued from page 3

Mr. McCarty added, however, that a high-profile insurance company failure could push solvency regulation to the forefront again.

An alternative to federal regulation—the NAIC's accreditation program for state insurance departments—won high marks from the Consumer Federation's Mr. Brobeck.

"I'm encouraged by the speed" at which states are adopting the NAIC standards, Mr. Brobeck said.

While the accreditation standards "represent an improvement over the old Balkanized standards," the new measures haven't been tested yet to see whether they are good enough, he said.

The NAIC's Mr. Cronin noted that 19 states have met the standards for accreditation and he predicted that a substantial number, perhaps more than 30, would be accredited by the end of the year.

As recently as five years ago, national consumer groups were "strongly biased" in favor of federal insurance regulation in place of the system of state regulation guaranteed by passage of the McCarran-Ferguson Act nearly 50 years ago, Mr. Brobeck said.

That pro-federal attitude has changed, he said, because the quality of state regulation has improved from the consumer movement's perspective, with more and more regulators tending to come from outside the industry.

The principal guarantee of state regulation—the McCarran-Ferguson Act—is likely to remain intact this year because there is no Senate interest in amending or repealing the law. In addition, the insurance industry is adamantly opposed to the House legislation—H.R. 9—that insurers say would gut the McCarran-Ferguson Act's provisions that provide them with partial immunity from federal antitrust laws.

"If the industry agrees on anything, it's that H.R. 9 is a rotten bill," said the AIA's Mr. Wright. The AIA spent months negotiating with the staff of House Judiciary Chairman Jack Brooks, D-Texas, in an ultimately doomed effort to work out a compromise version of his McCarran-Ferguson reform bill (BI, June 1, 1992).

Mr. Wright said that even if H.R. 9 wins approval in the House this year, Senate action is unlikely.

Mr. Brobeck, who advocates repeal of the McCarran-Ferguson antitrust exemption, agreed that Senate action is unlikely and declined to predict whether the House would act.

When asked why he supports repeal of McCarran-Ferguson, Mr. Brobeck said elimination of the law would make insurers more efficient. "And as long as there's an antitrust exemption, you're going to be viewed as an industry that fixes prices," he said.

Prudential's Mr. McCarty also noted that the notion of "managed competition" in health care would require some coordination among insurers, which would be impossible under antitrust laws. He urged "benign neglect" of the law.

Ken Crerar, executive vp of NACSA, moderated the discussion.

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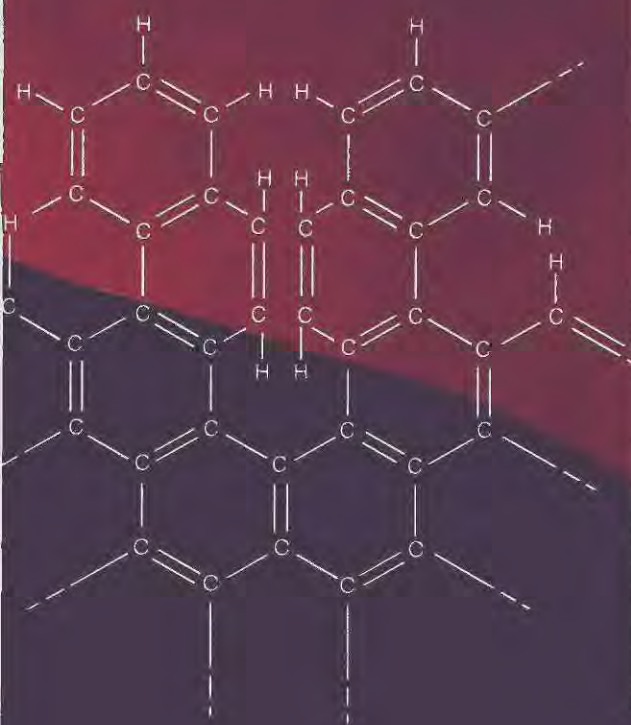
Indeed, it was precisely this know-how that enabled Dave to pioneer the underwriting of horizontal drilling—a new technique being used by some of his worldwide oil clients.

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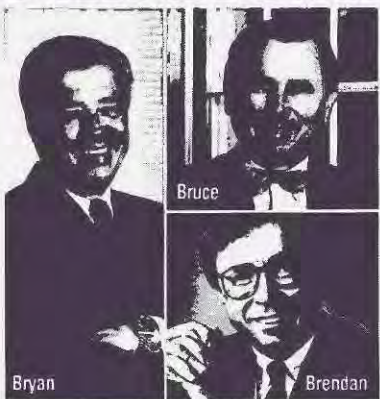


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Poutsiaka is promoted to Arkwright president

William J. Poutsiaka has been named president and a director of Arkwright Mutual Insurance Co. in Waltham, Mass. Mr. Poutsiaka succeeds **Frederick J. Bumpus**, who was elected chairman of the board and will retain the role of chief executive officer until his retirement at the end of the year.

Mr. Poutsiaka previously was senior vp-finance and administration.

In other insurer changes:

Arthur V. Ferrara, chief executive officer of The Guardian Life Insurance Co. of America in New York, has added the title of chairman. Mr. Ferrara was previously president and is succeeded in that post by **Joseph D. Sargent**, who formerly held the title of executive vp.

Comings & Goings: Industry

Rupert L. Willis has been named vp of Aetna Life & Casualty Co.'s standard commercial accounts unit in Hartford, Conn. Mr. Willis was previously vp of the personal auto insurance unit.

Hartford, Conn.-based ITT Hartford Insurance Group recently named **David R. Robb**, **Floyd H. Knowlton Jr.** and **Paul R. Schwartzott** vps.

Agents/brokers

Dan R. Osterhout has been named president and chief operating officer of Alexander & Alexander Inc. in New York. Previously, Mr. Osterhout was senior vp and operations director for A&A Inc., which is the retail brokerage and risk management consulting arm of Alexander & Alexander Services Inc.

Also at A&A, **Denis H. Langhans** and **Robert Needle** named executive vps. Mr. Langhans, based in Chicago, will oversee A&A Inc.'s corporate specialty offices, while Mr. Needle will head global network offices from New York. And **Kenneth J. Davis** appointed chief executive of European and Middle East retail insurance brokerage operations in London.

Reinsurance

Preferred Reinsurance Intermediaries Inc. in Columbia, S.C., announced several new promotions: **Veritha W. Lee** and **Kevin M. Elmore** have been named vps; and **S. Oliver Hines** has been promoted to vp and manager-life, accident and health.

Surplus lines

Lawrence T.P. Molloy was recently named president and chief executive officer of Complete Equity Markets Inc. in Wheeling, Ill. Mr. Molloy, previously chief operating officer, succeeds **Clarence E. Molloy**, who is retiring. **Clarence E. Molloy III** will become chief operating officer.

Edward Ragan has been promoted to senior vp-program department for Investors Insurance Group in Red Bank, N.J.

Other suppliers

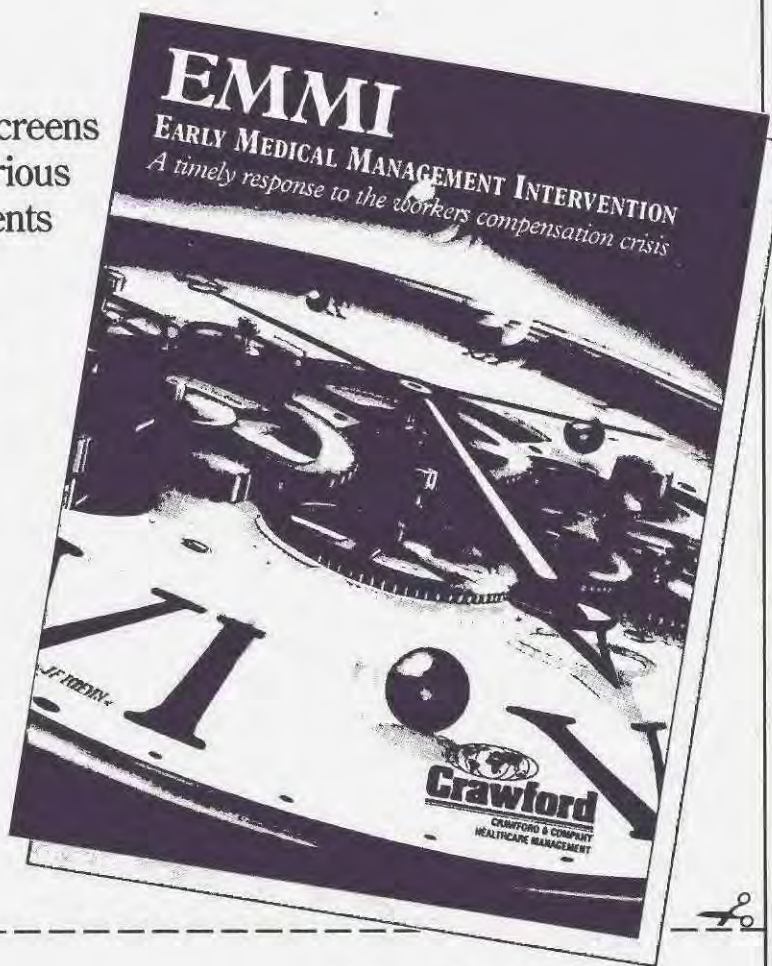
Lynne Matthews has been appointed president of Employ Better Care, a Philadelphia-based occupational health service provider.

Timothy Phillippe promoted to central regional director of United Behavioral Systems, a managed mental health and substance abuse service subsidiary of United Healthcare Corp. of Minneapolis.

Also at UBS: **Edward Marks** promoted to southern regional director; and **Denise Fondren** promoted to west central regional director.

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Washington comp

Continued from page 2
the state average wage. It totals \$23,682 annually.

The increase is necessary because "if you're a highly skilled, high-wage worker, you run into (the current) cap rather quickly, and your standard of living plummets," said Jeff Johnson, research director at the Washington State Labor Council, an AFL-CIO affiliate.

Another bill, H.B. 1249, sponsored by Rep. Mike Heavey, D-Seattle, would double the benefit for permanent partial disability. Employers say that it is unnecessary to give large awards for a partial disability—like a partial hearing loss—that does not prevent a worker from performing his or her regular job.

Many PPD benefits are paid according to a pre-determined schedule that establishes a value for each specific disability, up to \$90,000.

But permanent partial disability awards in Washington state are low relative to other states, and their value has diminished relative to the rising cost of living, labor groups contend.

Business leaders fear these changes will undo the workers comp reform efforts that began in the mid-1980s. Former Gov. Booth Gardner, a Republican, was elected in 1984 on a platform that included promises to overhaul the Washington State Fund, which ran a \$225 million deficit in 1985.

Methods that other workers comp insurers have found essential to holding down costs were gradually implemented at the fund, said Joseph Dear, former director of the state Department of Labor and Industries in Olympia, which operates the fund. Among other things, these included: on-line claims management; the creation of

long-range goals and a total quality management program; and various health care cost containment measure.

For example, cost containment tools used in Washington state include a medical fee schedule and regulation of hospital charges. Claims payers also can review the utilization of medical services and resulting bills.

In addition, the DLI has been successful in controlling the cost of back injuries through the use of surgical criteria that are stricter than national norms, said Linda Murphy, the DLI's administrator of health services analysis. Those criteria were developed with the help of local physicians, she said.

One major reform was the repeal of Washington's mandatory vocational rehabilitation law in 1985. Premium rate increases, recommended at 40% in 1985, were approved at 18% that year because of the repeal, and premiums did not increase during the next three years. From 1989 to 1991, premiums increased annually by 9%, 7.2% and 5%, respectively.

By 1987, the state fund's deficit had been wiped out, and today the fund enjoys a \$330 million surplus.

The DLI also reached out to employers to help implement safety, return-to-work and loss control programs.

The W.G. Clark Construction Co. in Seattle is an example of an employer that "did everything right and had a dramatic reduction in costs," Mr. Dear said.

In 1985, Clark had a 1.29 experience modification factor, which is a reflection of its loss experience, and paid about \$450,000 for workers comp coverage for its 135 employees. "It was apparent that we had a problem with loss control," recalled Michael Sotelo, Clark's human resources and safety director.

But after working with the DLI to set up

accident prevention and return-to-work programs, Clark began to receive annual refunds from the state fund under its retrospective rating plan. By 1992, Clark paid \$75,000 in workers comp premiums with no decrease in worker hours, Mr. Sotelo said. Its experience modification factor had dropped to 0.477.

All parties in the system credit labor-management cooperation with the spectacular turnaround in Washington's workers comp system.

"The amount of labor-management cooperation we got was essential. We were

'We were able to get business and labor to view themselves as the owners of the system,' says Joseph Dear, the former director of the DLI.

able to get business and labor to view themselves as the owners of the system," Mr. Dear said.

"The major thing that has helped" in improving the workers comp system "has been the realistic approach to vocational rehabilitation. It was totally out of control," said Kenneth L. Gipson, corporate director of safety, health and statutory benefits at Weyerhaeuser Co. in Tacoma.

Before reform, "if (injured workers) knew what they were doing," they could manipulate the system and receive coverage for several expensive vocational rehabilitation programs—like landscape architecture or hair styling—and still return to their regular jobs eventually, Mr. Gipson said.

Since reform, employees can be denied

vocational rehabilitation if they are "employable" and able to perform modified work, though they may be unable to return to their regular jobs, he said.

However, not everyone was pleased with reform results. Repeal of the mandatory vocational rehabilitation law was one of the "big hits" labor took during the reform, said the Washington Labor Council's Mr. Johnson. "We went from one extreme to the other, and working people lost a lot." And labor leaders now want to change the law so that injured workers are "entitled" to a vocational rehabilitation program if they can't return to their original job or "a comparable position with another employer."

Some employers agree with Mr. Gipson that if the bills and proposals backed by labor groups are enacted, the state fund's surplus "could disappear very quickly and there will be huge increases in rates."

Other interest groups see it differently. "I think that's hyperbole at the very least," said Mr. Johnson, noting that "Washington has had some of the lowest rate increases in the country."

And one lobbyist for a major Washington state corporation believes it's too early for employers to panic.

"In all likelihood there will be some serious modification" to the two House bills, said Robert Makin, a lobbyist for Boeing Co. in Seattle. "Though I'm very concerned about the viability of the fund and its effect on the employers of this state, I'm not sure the sky is falling yet."

As for labor's legislative agenda, it "doesn't attack" labor-management's spirit of cooperation in Washington state, Mr. Johnson asserted. "Business has never been particularly supportive of benefit issues," he said. And besides, "we're working fruitfully together on other issues in the workers comp arena." **BI**

ADA compliance

Continued from page 3
mine which federal unit will process specific claims.

Unless the proposed OFCCP rules are changed, they will make it "more expensive, difficult and complicated" to comply with the spirit as well as the letter of the ADA and the Rehabilitation Act, said Terry R. Owens, director of employee development and systems for Occidental Chemical Corp. in Dallas and chairman of the employer council's board.

"In general, it seems somewhat ridiculous to have to address a situation like this," in which Section 503 and the ADA are in conflict, said Mr. Owens. "It is much better to have one set of consistent rules."

The proposed OFCCP rules require government contractors to:

- Consider applicants with disabilities for positions that become available in the future, rather than merely for the job originally sought.

"Most companies accept applications only for specific available positions," Mr. Norris said, in a letter to the OFCCP. "Requiring companies to attempt to seek out a vacant position for an applicant who applied for another would create a significant burden."

Such a requirement could force employers to set up separate application processes for individuals with disabilities and even counsel them about career options, Mr. Norris said. Most companies don't have those resources, he noted.

This provision worries many employers, including Ameritech Corp. in Chicago, said Robert Bloom, the regional phone company's director of labor law administration and a member of the council's board.

- Retain applicant records for two years rather than one.

"Doubling the general record

retention period creates an enormous storage burden for large companies who have many thousands of applicants and employees. Moreover, the proposal expands the types of records that must be kept beyond those required by the EEOC, adding, for example, a requirement that interview notes be kept," Mr. Norris complained.

'The proposal conflicts with the spirit of the ADA,' the EEOC's Jeffrey Norris says.

Mr. Norris also said that once a compliance review by the OFCCP is initiated, all relevant personnel records must be retained until the review is completed. The requirement should be limited to one year, consistent with EEOC rules, he suggested.

The OFCCP also needs to correct "numerous" differences between the proposed rules and ADA provisions, he said.

The proposed rules appear to make mandatory some optional aspects of affirmative action programs for the disabled.

For example, it requires an employer to ask an employee with a known disability who is having difficulty performing a job if he or she needs an accommodation. Making such inquiries mandatory "conflicts directly with the EEOC's guidance, which gives the employee primary responsibility for requesting an accommodation," Mr. Norris told the OFCCP.

"Perhaps even more importantly, however, the proposal also conflicts with the spirit of the ADA, which empowers individuals with disabilities to

choose to—or choose not to—ask for help, and not be singled out and treated differently from other employees," he said.

In addition, the OFCCP's proposal creates "substantial confusion" because it excludes fewer conditions from the definition of "disability" than does the ADA. For example, while the OFCCP rules exclude transvestism from the definition, they do not exclude other conditions such as pedophilia, exhibitionism, compulsive gambling and kleptomania as does the ADA.

In addition, the proposed rules appear to require employers that administer tests as part of the application process to meet the special needs of applicants with disabilities that impair "sensory, manual, speaking, mobility and other skills." A similar provision in the ADA applies only to disabilities impairing "sensory, manual or speaking skills."

"This augmentation creates additional obligations specifically not imposed by the ADA," Mr. Norris wrote. Among other things, it would bring mental impairments within the scope of the provision, he said.

In addition, the council objects to proposed requirements that:

- Extend the period in which a discrimination complaint can be filed to 300 days from 180.

- Expand the definition of government contract to include agreements in which the government acts as a seller.

- Ban employers that do not comply with the rules from bidding for government contracts for at least six months. There had been no minimum penalty.

The threat of that penalty is "a big headache" for people responsible for contract compliance, said Ann Reesman, an attorney for the employer council. "For a company as a whole, like a de-

fense contractor, it's a big deal because the company could lose the opportunity to bid for future contracts, which may be a significant portion of its revenues."

Despite its many criticisms, the council did not oppose a key provision in the proposal that forces companies with 150 employees and contracts with a value of at least \$150,000 to file a written affirmative action plan under Section 503. The thresholds currently are 50 employees and \$50,000 in contract value.

Federal officials are still reviewing comments on the proposed rules, which were unveiled in October, said Len Biermann, acting OFCCP director. He cited the change in administration for the delay. However, the Department of Labor is giving the proposals "top priority" and they should be finalized by the end of March or the beginning of April, he said. **BI**

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Underwriting standards tighten as property market turns

By Michael J. Hudson

ALL SIGNALS NOW POINT to a tighter commercial property insurance market. Even if the primary market does not change drastically in the near future, risk managers need to prepare for a changing underwriting environment.

Indeed, 1992 was a disastrous year for property insurers. Riots, floods and storms cost underwriters about \$20 billion in losses. Many of those losses were passed through to the treaty reinsurance market, which has responded with higher prices, reduced ceding commissions and decreased capacity.

As a result, the primary commercial property insurance market is expected to change in the early months of 1993. "As is" renewals of 5% to 10% increases are likely initially, followed by more aggressive price increases as the April 1 and July 1 reinsurance treaties are renewed.

Buyers should expect a return to underwriting based upon sound, complete information. They will be required to provide more information in sufficient time for several levels of underwriting and/or engineering review. This demand for information will even be true of renewals with companies that have underwritten an account for several years.

With the easier renewals of recent years, data gathering by policyholders, agents and brokers has become lax. New locations were listed at sale price rather than replacement cost, occupancies changed without notification, changes in fire protection levels were made without consultation, and business interruption values reporting reduced to a single number without sufficient backup.

With more insurers' home office approval now required, underwriters won't want to appear inept by submitting inadequate data. Nor will they want to waste time asking for missing information. So submitting a properly organized, complete proposal initially will be important.

In preparing renewal specifications, carefully check that:

- Property values are consistent with each other and with national or regional construction costs. Small discrepancies can raise questions of reliability in an underwriter's mind.
- Occupancy and protection information are available for significant locations.

Describing a \$100 million location as "manufacturing" and "sprinklered" isn't sufficient. One or two short paragraphs can add a lot of comfort to the underwriter's decision-making. In

the last hard market, underwriters who weren't sure of their information generally declined the risk.

- All special factors that could mitigate a loss are listed.

A detailed business continuation plan, special fire protection equipment or earthquake bracing, or redundant manufacturing capabilities should be spelled out.

A good underwriter will know the special hazards in most occupancies. As an example, for warehousing, plastics and aerosols will be immediate red flags. If you don't have them, or if you have specifically designed rooms or protection systems, point that out. Otherwise, the underwriters may assume the worst. This is true about any class or occupancy.

Be prepared to begin the market/renewal process at least 90 days in advance. Despite shorter renewal times in recent years, as insurance companies ask more people to review more information, the time required to obtain a quotation will increase. And if additional information is needed by the underwriter, a longer renewal schedule will ensure sufficient time prior to expiration/renewal to obtain the information.

If possible, you should prepare individual business interruption worksheets. Along with making the numbers more credible, this helps you identify interdependencies and contingencies. A thorough review of the business interruption calculation with your financial department can also be enlightening.

For the past few years, coverage has become broader as sublimits have been removed or increased, and extensions have been offered at little or no premium.

Your current program may be based on how much coverage was available, rather than needed. However, as underwriters return to underwriting, they will be evaluating what coverage extensions they want to offer, in what amounts, and for how much premium. This means you'll have to evaluate your true exposure to loss, and what you're willing to pay for coverage. So you should review the policy, coverage by coverage, to determine what extensions you really need and in what amounts.

You should also review any distance and time limitations imposed on extensions. For example, how dependent is a location upon off-premises power? If not at all, then this coverage offers you little value. But if your operation is fully dependent on off-premises utilities, you should do an engineering review of how the utilities get to the plant, as well as likely loss scenarios and down time.

Ask yourself whether it matters if the underwriter restricts coverage to within 1,000 feet of the plant or excludes transmission lines. These are the types of issues you should be prepared to address.

You should also review your deductibles. In a soft market there is little incentive to take higher deductibles since underwriters don't return enough premium to justify the additional exposure. As prices increase, however, you should determine what deductible level you can afford in terms of loss. You probably won't want to push the deductible to the threshold of financial ruin, but it would be a good idea to know what deductible you can live with.

If you have a loss limit program, you should review your limit. Keep in mind the total values of the largest location may not be a true measure of your maximum possible loss. The reported values normally do not include items such as extra expenses, demolition costs, interdependent business interruption—all of which eat away at the policy limit.

Your review of deductibles and limits should also include a review of contractual requirements for coverage, perhaps to a mortgage officer or building manager.

One of the keys to a successful negotiation is knowing ahead of time what areas are critical and what you can give up.

It is always a good idea to meet key underwriters, not only those currently insuring you, but also other viable markets for your business. Personal contact with underwriters can go a long way toward clearing logjams in the review process and giving them a better level of comfort with your risk. You personally represent to the underwriter your corporation and your corporation's management. A straightforward discussion of the good and not so good points of your operations can make it easier for underwriters to stretch themselves for coverage and pricing.

Finally, you should review your underwriter's financial stability. The most successful negotiations are meaningless if the underwriting company is not there to pay the losses.

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Michael J. Hudson is manager of Johnson & Higgins property department in Los Angeles and a member of the J&H National Property Practice Committee.

Pollution must be sudden and accidental: Court

A policyholder's unintentional discharge of PCBs, as part of its regular and continuous business practice of discharging waste products directly into the environment, was not "sudden and accidental," a federal appellate court ruled.

El Paso Natural Gas Co. operated a gas transmission system from 1959 to 1974 that crossed several states, including Utah. While operating the system, El Paso Natural Gas used an air compressor lubricating oil that later was found to contain PCBs, or polychlorinated biphenyls. El Paso Natural Gas dumped condensed liquid wastes containing the PCBs into unlined earthen pits and directly into the ground, which were subsequently

Legal Briefs

carried into the surrounding environment.

Hartford Accident & Indemnity Corp. insured El Paso Natural Gas under a general liability policy that excluded coverage for pollution except when "sudden and accidental."

El Paso Natural Gas sold the pipeline to Northwest Pipeline Corp. in the mid-1970s, but agreed to indemnify Northwest for any liabilities. Northwest discovered the PCB contamination and reported it to the Environmental Protection Agency. Northwest cleaned up the

contaminated sites pursuant to a consent decree with the EPA and its insurer then sued El Paso Natural Gas for \$6.6 million.

El Paso Natural Gas then sought indemnification from Hartford. Hartford brought this action seeking a declaration that it was not liable to pay for the cleanup. The trial court ruled for the insurer.

On appeal, the 10th U.S. Circuit Court of Appeals said that "sudden and accidental" precluded coverage of damage from continuous or routine business practices.

The appellate court held that "sudden and accidental" in the policy exclusion meant abrupt or quick and unexpected or unintended.

Thus, 10th Circuit concluded that the policy exclusion restored coverage only to those pollution occurrences in which the discharge of the contaminant was both sudden and accidental. The trial court decision was affirmed.

Hartford Accident & Indemnity Co. vs. USF&G Corp., 10th U.S. Circuit Court of Appeals, April 30, 1992 (BI/03/F.-\$10).

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These abstracts were prepared by Mayo H. Stiegler. Copies of these decisions are available by sending a \$10 check payable to Mayo H. Stiegler to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. List the number for each opinion.

Work comp protest

Continued from page 3
dent of BGS Linens, a supplier of table linens to restaurants, that employs 60 people in Anaheim.

Mr. Mody said he was not surprised Assemblyman Brown had not included workers compensation in the agenda for the two-day summit because "Willie Brown's dinners are primarily attended by lawyers and doctors—those who are feeding the workers compensation system."

He also criticized Assemblyman Steve Peace, D-Chula Vista, who briefly stepped outside to address the angry crowd of employers. Protesters said Assemblyman Peace offered no concrete solution to the crisis.

"Brown, Peace and the sheep following them in the Assembly are primarily interested in protecting the interests of lawyers," Mr. Mody charged.

Even Gov. Pete Wilson's attempt to quell the protesters was ineffective.

"He came outside to talk to us, but he just skated around the issue," said Mr. Trester, the business coalition's co-founder. "He's just not fast enough on the uptake."

But back inside at a press brief-

ing following the morning session, the governor acknowledged the need to reform the state's fraud-ridden workers compensation system.

"For this conference to meet the goal of economic recovery, it will be necessary for the Assembly to replace the workers compensation system as we know it," he said. "The system is so basically flawed that it's resulting in the kind of premiums that the people outside are protesting."

Indeed, if the workers comp system isn't changed soon, "I'm afraid the pendulum may swing all the way back" to the way it was before the enactment of laws in the early 1900s that created the no-fault system, said Catherine Gromowsky, a claims administrator at Industrial Management in Westlake Village, one of the protesters.

But Stanley Zax, chairman of Zenith Insurance Co. in Woodland Hills, Calif., disagreed.

"What's required is enforcement of existing laws against health care and work comp fraud, not reform. The criminal justice system is AWOL. Only the news media seems to be able to find it," said Mr. Zax, referring to a recent network television expose on California's infamous workers comp mills. "All we've seen

is more and more news shows and no action by the state (attorney general)."

Meanwhile, "\$1 billion to \$2 billion each year is being paid unnecessarily by businesses in California," he estimated.

Outside, Bruce Wayne Dye, president of landscape contractor Bruce Wayne Corp. of Laguna Hills, confirmed Mr. Zax's allegations of inaction.

"Last year, 14 of 16 claims filed against me were bogus," he said. But his insurer, the State Compensation Insurance Fund, didn't oppose them.

"They'd rather pay them off than go to court," he said.

So Mr. Dye took matters into his own hands.

"I called the (district attorney), and they gave me tips. I've been doing investigations on my own," he said.

As a result of the 16 claims, Mr. Dye is facing a 200% surcharge on his annual \$100,000 premium.

"They didn't give me the required 45-day notice, so it didn't go into effect this year. But if it comes next year, I'll probably go out of business," he said.

Bruce Wayne Corp. employs 80 people.

Risk-based capital plan blasted

ELLETTTSVILLE, Ind.—Too little data would be publicly disclosed under the National Assn. of Insurance Commissioners' model law on risk-based capital for life/health insurers, charges a newsletter editor.

Joseph M. Belth, editor of "The Insurance Forum," complains that the 1992 model law contains "a new insurance gag rule."

"Most of the information will be treated as confidential and will not be available to the public under state freedom-of-information laws," said Mr. Belth, an insurance professor at Indiana University.

Under the model law, the public can check an insurer's annual statement beginning in March 1994 for only two things:

- Its total capital, which is determined by an NAIC formula.

- Its risk-based capital requirement, which is the level of capital at which a regulator may take control.

"Although the results of risk-based capital calculations will be made public, insurance agents and insurance companies will be prohibited from disseminating the information," he said.

The rule, he charges, would even

prevent agents and insurers from telling clients where to get the data.

Insurers have opposed mandatory disclosure of any results.

States would have to individually adopt the model law (BI, Dec. 14; Sept. 28, 1992).

NAIC President Steven Foster said his group shares Mr. Belth's concern that consumers have sufficient information to make educated choices about insurers.

But Mr. Belth, he charged, "misstates the impact of the model act on consumers' access."

Consumers will have "full access" to a company's total adjusted capital and its risk-based capital requirement, said Mr. Foster. "All we are saying is that agents and companies should not be allowed to use a regulatory tool for their own selfish and sometimes misleading marketing purposes."

Insurance agent groups have not complained about the restrictions on disclosure. The restrictions are "prudent," said Patricia Borowski, senior vp-government and industry affairs with the National Assn. of Professional Insurance Agents.

—By Meg Fletcher

General Re, Berkley venture

Continued from page 2
fificantly worse than General Re's overall combined ratio of 102.2%, according to A.M. Best Co. and the Reinsurance Assn. of America.

Signet Re, meanwhile, recorded net premiums of \$21.1 million on surplus of \$60.2 million and a combined ratio of 120% in 1991.

Under their agreement, General Re and Berkley will retain the reserves and liabilities of the two reinsurance units as of Dec. 31, 1992, allowing the new reinsurance operation to start underwriting with no liabilities for prior years' business.

The new holding company will have four operating units:

- Florham Park, N.J.-based North Star, which will continue to operate independently, writing a broad book of treaty reinsurance. North Star is licensed in 46 states and the District of Columbia and is authorized to write reinsurance in Wyoming and Puerto Rico.

- Signet Treaty, based in Basking Ridge, N.J., writing treaty business with an emphasis on reinsurance of alternative market facilities and property catastrophe risks.

- Facultative ReSources, based in Stamford, specializing in casualty facultative risks.

- Signet's fidelity and surety division, based in Schaumburg, Ill., specializing in fidelity and surety reinsurance.

Signet Re is licensed in 18 states and the District of Columbia and is authorized to write reinsurance in 10 additional states. Eighteen other states allow ceding companies credit for reinsurance placed with Signet Re.

North Star and Signet Re are expected to continue under their present top management, though a new chief executive officer is being sought for the holding company, the Berkley spokesman said.

The deal is still subject to negotiation of a definitive agreement between General Re and Berkley, and regulatory approvals.

Analysts generally see it as a good move for both companies.

General Re tried to expand several years ago by moving

North Star into the broker reinsurance market, a move that left North Star competing with General Re's direct writing reinsurance operations, observed Michael Smith of Shearson Lehman Bros. Inc. in New York.

"North Star and General Re were bumping into each other, tripping over each other in different places," he said.

In addition, brokers "never really trusted North Star," and the quality of business submitted to it suffered, as did its underwriting results, Mr. Smith added.

"I think it just became a matter of frustration" for General Re management, he observed.

The union of North Star and Signet Re, however, will create an entity big enough to succeed in a market where size has become important, analysts agree.

"The two operations by themselves were on the border of being really viable broker reinsurers, but in their combination will represent a much more significant market," said John H. Snyder, senior vp with Best's property/casualty division.

He noted that "\$200 million in surplus is almost the ante to get into a position where you can dictate terms and conditions. Below that, you have to take what you get."

Mr. Snyder also predicted that the deal would pave the way for General Re's eventual sale of its interest in the operation.

"This is clearly their exit from the broker market," he said, noting that General Re will have only a minority stake in the new holding company despite North Star being the larger of the two reinsurers being joined. "It signals that this is their disengagement."

A General Re spokesman said the agreement with Berkley doesn't commit General Re to sell its 40% stake, but added the reinsurance company would consider selling if the opportunity arose.

North Star's results will no longer be consolidated with General Re's other operations for reporting purposes. Now, General Re will account for its stake in the new holding company as an investment.

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INTERNATIONAL

Liberty Mutual is expanding global focus

BY STACY SHAPIRO

LONDON—Liberty Mutual Insurance Co. is expanding internationally with the goal of earning up to one-fifth of its revenues outside the United States by the turn of the century.

The insurer, the largest writer of workers compensation insurance in the United States, unveiled its global plan earlier this month when it hired former Lloyd's of London Deputy Chairman Richard Hazell as chairman of Liberty Mutual Insurance Co. (U.K.) Ltd.

The expansion also follows the recent appointment of Stewart H. Steffey, formerly senior vp of CIGNA Worldwide Inc., as senior vp of Liberty Mutual Insurance Co. and president of its international operations.

With operations now in the United Kingdom, Mexico and Canada, "we would expect by the turn of the century that the international part of the company would be significant and 15% to 20% of our revenue would come from there," said Edmund F. Kelly, president and chief operating officer of Liberty Mutual Insurance Co.

Liberty Mutual, considers its core skills to be in workplace loss prevention and safety, Mr. Kelly said. Services offered to policyholders in the United States include on-site safety audits; safety, ergonomic, industrial hygiene and occupational health program assistance; and training classes (BI, Sept. 28).

Now there is a growing interest overseas from management and regulatory authorities in worker safety and loss prevention, said Mr. Kelly. "The time is right to expand aggressively abroad" in these types of insurance services.

Liberty Mutual (U.K.) is the base the company is using to dive into the European market. The U.K. insurer already has 23 employees with a net premium income last year of 10 million pounds (\$15.1 million at applicable exchange rates). With the appointment of Mr. Hazell, the U.K.-based operation will expand its reinsurance business, Mr. Kelly confirmed.

A new Liberty Mutual division devoted to worker safety in the United Kingdom is also opening in light of new Health and Safety Executive regulations. For example, thousands of U.K. employers this year must assess the risk of injury from their video display terminals under new HSE regulations (BI, Nov. 30).

Repetitive motion injuries and the er-

Continued on page 19

Hafnia bidding process raises angst in Scandinavian market

By MARIA KIELMAS

COPENHAGEN, Denmark—Another bidding war among Scandinavian insurance companies is feared as speculation mounts over which companies are bidding to acquire Denmark's Hafnia Holding of 1992 A/S and its subsidiaries.

The bidding process, which closed Feb. 19, will determine who will acquire Hafnia's stakes in Swedish insurer Skandia Group and Danish insurer Baltica Holdings A/S. Some analysts say the uncertainty surrounding the bidding process, which was extended twice, has generated more financial problems at Skandia and Baltica.

"The next war will be more sophisticated and (fought) with more powerful weapons," said one Scandinavian insurance executive, referring to the entry of other European insurers into the fray.

Turmoil has dominated the Scandinavian insurance market ever since Hafnia and now bankrupt Norwegian insurer UNI Storebrand A/S tried to force a three-way merger with Skandia. The plan was thwarted by Skandia's restrictive voting structure and its opposition to a takeover (BI, April 13, 1992; Feb. 10, 1992).

Speculation on the future of Scandinavian insurers peaked again last week, but the rumors have affected Skandia more than the others.

Skandia's share price rose 30% between mid-January and mid-February to a high of 120 Swedish kronor (\$15.98 at current exchange rates), almost double its price of mid-1992. But on Feb. 16, the Skandia price fell by 7 Swedish kronor (93 cents) on the company's announcement that it would not pay shareholders a dividend for 1992.

Skandia officials insist the company is in good health. But some insurance analysts disagree, noting that a dividend payout would have been relatively small, about 300 million Swedish kronor (\$42.4 million at the applicable exchange rate).

Suspending the dividend "suggests there is trouble," contends Mike Wheelhouse, insurance analyst at London stockbrokerage Hoare Govett.

Skandia also announced last week that the March 18 release of its 1992 annual report will show significantly reduced net asset value. Calculations indicate the insurer's net assets have dropped by roughly 20% to about 11.5 billion Swedish kronor (\$1.62 billion) on Dec. 31, 1992, from 14.4 billion Swedish

kronor (\$2.60 billion at the applicable exchange rate) at year-end 1991. This decline was due primarily to a sharp fall in the group's Swedish and foreign real estate portfolios; losses sustained through two Swedish credit insurers, Svenska Kredit and International Credit; and an increase in claims from its international units, particularly in connection with Hurricane Andrew. Skandia said that results for operations in the Scandinavian countries showed a positive trend in 1992.

Skandia Chief Executive Bjorn Wolrath said in the statement that the company's reorganization—aimed at focusing on core businesses—coupled with falling interest rates, gives him confidence the company's net asset value will grow in 1993.

Meanwhile, the chief executive of Baltica Holding, Steen Hemmingsen, rebutted widespread speculation among market analysts that Baltica is in financial difficulty and must find an extra 2 billion Danish kronor (\$320 million) in financing this year.

Mr. Hemmingsen also denied the possibility of a merger between Baltica and Hafnia. "Our attitude is that (it) would create too large an entity in the Danish market."

Continued on page 19

A move toward bigger profits in 1993

French insurers plan to hike commercial property rates by as much as 20%

By GAVIN SOUTER and ALINE SULLIVAN

PARIS—Rates for commercial property insurance in France are set to increase between 15% and 20% at year-end renewals, a French insurance executive says.

While the hikes won't salvage the downturn in profits some French insurers are expected to announce for 1992, the increases could improve 1993 results.

In addition, at least three leading French insurers are now making complex financial moves to bolster their competitive standing.

French insurers have suffered from inadequate rates in most lines of property/casualty insurance in recent years—particularly commercial fire rates, said Pierre Florin, deputy general manager, risk management at AXA Group.

In addition to what they deem inadequate rates, French insurers also have been plagued by poor returns on real estate investments. For example, Union des Assurances de Paris announced earlier this month that its 1992 net profits have been cut by more than half to between 1 billion and 1.3 billion French francs (\$180.9 million and \$235.2 million at applicable exchange rates). This compares with 3.77 billion francs (\$682.5 million) in

1991, the company said.

The main cause for the fall in profits is poor returns on real estate investments, a UAP spokesman said.

AXA, too, is expected to announce lower profits for 1992. Profits will drop to between 1.5 billion and 1.6 billion francs (\$271.4 million and \$289.4 million) from 2.4 billion francs (\$434.5 million) in 1991, a company spokeswoman said.

The drop is largely due to profits from capital gains in 1991 that were not repeated in 1992, the spokeswoman said.

The company also suffered from sluggish property/casualty premium income growth in 1992, she said.

However, "1992 is almost certainly going to represent the low point for profits for all of the major (French) insurers," says a report by investment bankers Lehman Brothers in London. "We see recovery beginning in 1993."

The recovery will largely be due to increased rates and improved results from overseas subsidiaries, the report said.



For example, AXA Group is strengthening the finances of its foreign subsidiaries. Earlier this month, AXA unveiled the terms of a 3.7 billion franc (\$669.3 million) convertible bond issue to increase the capital of its subsidiaries, notably The Equitable Cos. Inc. (BI, Feb. 15), the giant U.S. life insurer in which AXA holds a 49% stake.

Under the risk-based capital standards now being implemented for U.S. life insurers, Equitable must raise its shareholders' equity by 15% over the next two years (BI, Sept. 28, 1992). On Sept. 30, 1992, this stood at \$2.26 billion; therefore, the insurer would need an additional \$338.4 million.

Also, British stock market analysts speculate that AXA may be planning a major U.K. acquisition, with multiline insurer Guardian Royal Exchange P.L.C. the most likely target, analysts say. AXA denied any such plans.

Michael Wheelhouse, an insurance analyst at stockbrokerage Hoare Govett in London, rates AXA shares a "buy," although he anticipates a volatile market in the shares during the next few weeks.

"The rate increases undertaken in France are substantial, and a break-even result looks far from impossible this year," he said. "Earnings will therefore benefit from an esti-

Continued on page 19

Subcontractors sued for part of Piper Alpha payouts

By STACY SHAPIRO

LONDON—A former subsidiary of Occidental Petroleum Corp. is suing 71 subcontractors that worked on the Piper Alpha North Sea oil platform to pay a portion of the compensation to survivors of workers killed when the platform exploded in 1988.

The platform split during the explosions and a subsequent fire, killing 67 people on July 6, 1988. The disaster has cost insurers at least \$1.4 billion in property and liability costs (BI, July 11, 1988).

A trial, which begins March 2 in the Court of Session in Scotland in Edinburgh, will determine whether contracts with the Occidental unit make the subcontractors responsible

for a portion of the more than 70 million pounds (\$106 million at current exchange rates) paid in out-of-court settlements with relatives of the workers killed in the explosion.

Elf Enterprise Caledonia Ltd., formerly known as Occidental Petroleum (Caledonia) Ltd., claims that under the contracts, the subcontractors waive any right to compensation for "indemnities or damages." The contracts also specify that any liability or damage claims would be handled by the former Occidental subsidiary as the platform operator.

The former Occidental subsidiary admits it was "liable to compensate relatives" because it was "in breach" of its statutory duties as an employer, court papers show.

Elf, currently the fourth-largest North Sea operating company, is now 67% owned by Elf Aquitaine and 33% by Enterprise Oil P.L.C.

However, Elf believes it was only partially responsible for the disaster. The company alleges that the explosion was caused in part by the negligence of some of the subcontractors' employees, many of whom are now dead. A public inquiry determined that the cause was leaking condensate from a blind flange assembly at the site of a pressure safety valve. The blind flange assembly "had not been fitted properly" by subcontracted employees, Elf alleges.

Elf also admits that it settled all claims from the relatives of workers killed in the explosion because of a

threat that liability claims would be filed in the United States and "the risk of liability was such as to justify paying compensation," the court papers say.

The subcontractors knew of these settlement negotiations because they were part of the "Piper Alpha Insurers Committee," court papers say.

But the subcontractors and their insurers are refusing to pay the claims, saying they are not liable.

The subcontractors and their insurers claim the Piper Alpha explosion was caused by the "sole negligence" and willful misconduct of the former Occidental subsidiary. Among other things, a public inquiry shows that Occidental "knowingly and flagrantly disregarded" its own safety procedure manual on the

platform, the subcontractors say.

The contract is not operative "unless the injury to or death of persons employed by the contractor was caused at least in part by the fault and negligence of the contractor," court papers filed last year say.

The subcontractors also deny knowing the basis Occidental used to settle claims with relatives of the dead workers.

Neither lawyers at the Edinburgh firm of Paull & Williams, representing Elf Enterprise, or Simpson & Marwick in Edinburgh, representing the subcontractors, would comment on the litigation.

Earlier this month, Elf Enterprise announced the successful opening of Piper B, the replacement platform for Piper Alpha. BI

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1900 Kanawha Boulevard, F.
Charleston, West Virginia 25305-0710
Fax: (304) 558-2516

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Virginia Municipal Group Self Insurance Association (workers' compensation) is seeking proposals from companies interested in providing underwriting, loss control, claims administration, reinsurance placement and marketing services. Forward requests for a copy of the RFP to Margaret A. Nichols, Administrator, VMGSA, P.O. Box 12164, Richmond, VA 23241, or Fax requests to (804) 343-3758. Deadline for submitting proposals is March 26, 1993.

The West Virginia Public Employees Insurance Agency (PEIA) is releasing an RFP on or about February 25, 1993, to solicit bids for a qualified firm to perform post-payment audits of selected inpatient hospital claims. The PEIA covers approximately 200,000 individuals and paid about \$160 million in hospital claims in 1992. The initial contract period will be through June, 1994.

To receive the RFP, contact: David Lambert, Acting Director, PEIA, State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, West Virginia 25305-0710 (FAX: 304-558-2516).

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INTERNATIONAL

Hafnia bidding

Continued from page 17

Baltica's refinancing package, announced in August 1992, included a cash injection from Den Danske Bank in return for a 32% stake in operating subsidiary Baltica Insurance Co. Insurance analysts say the company wants to dispose of the Baltica Insurance stock before Jan. 1, 1994, but Mr. Hemmingsen said this is "too strict an interpretation."

"We have the possibility of placing the Baltica Insurance Co. shares before the end of 1993," he said, but he denied that it is obliged to do so.

Hoare Govett's Mr. Wheelhouse said he believes if French state-owned bank Credit Lyonnais wins the Hafnia bidding, a rapid merger of Hafnia and Baltica could result.

"Considerable cost savings could be achieved by combining the two networks. The resulting concentration of market share—approximately 36% in life and 30% in non-life—would then provide (companies that are now) competitors with tremendous opportunities. Experience has shown that no company has been able to maintain more than a quarter share of the Danish market for any length of time," he said.

Hafnia spokesmen maintain that other Scandinavian insurers have also bid for Hafnia Holding of 1992 A/S, the holding company formed after the original Hafnia Holding went bankrupt last August. The deadline on bidding was extended twice to accommodate the increased interest, Hafnia spokesmen said.

Yet a skeptical Scandinavian insurer executive wondered if the deadline had been extended because there had been too few bidders.

According to Danish press reports, which some insurance analysts interpret as authoritative "leaks," Skandia is among the serious bidders for Hafnia's operations in a joint effort with AEGON Insurance Group of the Netherlands.

Another company cited as a serious bidder for Hafnia is Credit Lyonnais through its subsidiary Althus Finance. Althus is reported to have bid for the entire Hafnia Holding of 1992.

A Hafnia spokesman confirmed there has been a bid for Hafnia Holding of 1992. Hafnia Holding of 1992 was not part of the original

Skandia move to run off PanFinancial criticized

LONDON—Skandia Group's decision to run off credit and political risk insurer PanFinancial Insurance Co. Ltd. demonstrates how Skandia's reorganization may reduce its growth opportunities, analysts say.

London-based PanFinancial is 49% owned by Skandia, 33% by Japan's Yasuda Fire & Marine Insurance Co. Ltd. and 18% by Finland's Pohjola Insurance Co. Ltd. Most brokers stopped placing business with PanFinancial in mid-1992, when the insurer's capital fell to 5 million pounds (\$7.25 million at current exchange rates), which was below the level required by many brokers' internal security committees. PanFinancial ceased writing business in November 1992.

Rather than pump additional capital into the insurer, Skandia decided to sell the company. It said its partners reached the same decision independently. But because no serious bids were made, it was decided to run off PanFinancial's book of business.

"We are working on it together with the other shareholders and the U.K. Department of Trade and Industry," said Klas Oscarson, chief executive for Skandia's non-life division.

auction, and it will be converted into an investment company after disposing of its life and non-life insurance units and Hafnia Bank, he said.

Hafnia Holding 1992 includes some of the 5% to 8% of Skandia stock originally purchased by Hafnia as well as part of Hafnia's 33% stake in Baltica, he said.

However, Skandia Vp Johan Bengtstjerna said he was surprised that any company would have bid for the Skandia stock held by Hafnia without first discussing the consequences with Skandia. No one has contacted Skandia so far, he said.

PanFinancial Chief Executive Anders Haggo criticized the decision. Most of PanFinancial's difficulties stemmed from financial guarantee business written in France that did not follow the company's usual underwriting guidelines, he said. Auditors still are calculating the losses incurred on this business, but only 10 to 15 policies are problems, Mr. Haggo contends.

PanFinancial's credit insurance business suffered the same losses as other credit insurers during the recession, but its political risk business was solid, Mr. Haggo maintains. And PanFinancial's real innovation, excess-of-loss credit insurance, is a viable product, he said.

Mr. Haggo also said the credit insurance market in North America may be poised for expansion when the North American Free Trade Agreement is ratified.

Mike Wheelhouse, insurance analyst at London stockbroker Hoare Govett, speculated that Skandia's troubles with credit insurers Svenska Kredit and International Credit Insurance, in which it was a shareholder, have left the company "shell-shocked."

The two credit insurers collapsed last year (BI, Sept. 21, 1992).

Regarding Hafnia's 33% stake in Baltica, Baltica's Mr. Hemmingsen could not comment on any talks between his company and prospective buyers of Hafnia's stake. However, he reiterated an earlier statement by French insurer Compagnie Financière de Suez, which holds 23% of Baltica, that Suez was not bidding.

Hafnia Holding A/S, the original holding company, has asked a Danish court to extend its suspension of payments to creditors for three months to May 19. Hafnia Holding suspended payments to creditors last August (BI Aug. 24, 1992). **BI**

the North America Free Trade Agreement, Mr. Kelly said.

Liberty Mutual has had a significant personal auto/homeowners insurance operation in Canada for many years and has recently expanded into workers safety consulting in that country, he said.

Also, Liberty Mutual last October entered into an agreement with Mexican insurer Grupo Nacional Provincial to provide quota-share reinsurance for its commercial auto fleet coverage. Liberty Mutual also will provide worker safety services through the Mexican insurer in a country where "worker safety laws are quite strict," said Mr. Kelly. **BI**

Liberty Mutual

Continued from page 17

onomics to prevent such injuries "is where we have specific expertise," Mr. Kelly pointed out.

"We hope to turn (the London office) into an international arm of Liberty Mutual," said Mr. Hazell. With a reduction in capacity in insurance and reinsurance markets, "there is now an opportunity to do that."

"We regard Europe as the opportunity (to expand) and the U.K. will be our base," said Mr. Kelly, adding that the immediate focus, however, will be on the United Kingdom.

In the meantime, Liberty Mutual is "uniquely situated" to take advantage of a unified market under

French market

Continued from page 17

mated 500 million francs (\$90.5 million) in reduced losses on the French book, plus whatever Equitable earns and group capital gains. We are sticking with our earnings estimate of 2.84 billion francs (\$513.8 million)."

Other French insurers have been busy with affairs closer to home.

State-owned Groupe des Assurances Nationales, the third-largest French insurer, injected 2 billion francs (\$361.8 million) into its banking subsidiary, Credit Industriel et Commercial.

The operation will be financed through GAN's existing cash re-

sources. In addition to 300 million francs (\$54.3 million) cash, about 1.7 billion francs (\$307.5 million) will be paid in return for CIC's 67% holding in the troubled real estate financing company Union Industrielle de Credit.

And SCOR S.A., the largest French reinsurer, announced plans to acquire a 20% stake in Coface, the country's principal export credit insurer.

SCOR will fund its purchase through the issue of 615,000 new shares at 600 francs (\$108.54) per share, a 22% premium over the current share price on the Paris stock exchange. The offering stands to

raise 360 million francs (\$65.1 million).

SCOR's stake in Coface should increase its exposure to more profitable business.

Coface underwrites export credit risks both on its own account and on behalf of the French government. Coface's own-account business has been profitable: 1991 earnings totaled 142 million francs (\$25.7 million).

Michael Huttner, an insurance analyst at London stockbrokerage BNP Securities, estimated that the purchase should raise SCOR's 1993 earnings by 30 million francs (\$5.4 million). **BI**

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Superfund plan

Continued from page 1
mental Law Center of the Vermont Law School, took his place as commission chairman.

Also leaving the commission to work on the transition was Tom Grumbley, executive director of Clean Sites Inc., an Alexandria, Va.-based non-profit group that helps potentially responsible parties clean up waste sites.

The commission, which is directed by John Ehrmann, senior vp of the Keystone Center, was initiated in June 1992 with a grant from the McIntosh Foundation. Additional financial support from the William and Flora Hewlett Foundation and several participating corporations has provided it with a three-year budget of \$1.8 million.

The funding will pay the salaries of the six staff members—four professionals including Messrs. Mealey, Lash and Ehrmann, and two support staffers—as well as costs associated with quarterly meetings scheduled through year-end.

In addition, the commission is hoping to receive a research grant from the U.S. Environmental Protection Agency.

The 12-year-old Superfund law—officially called the Comprehensive Environmental Response, Compensation and Liability Act—has come under harsh criticism for its failure to clean up the 1,245 toxic waste sites on its priority list. So far, only 63 sites have been cleaned up.

Even President Clinton took a swipe at the law last week. "It's time that we used Superfund to clean up pollution instead of paying lawyers," he said (see related story).

Many of the other sites have been mired in litigation over who will pay the cleanup tab—the polluters or their insurers. While some courts have awarded coverage to policyholders, insurers have filed and won numerous appeals.

Specific criticisms of Superfund by the commission include:

- Inconsistent cleanup standards.
- The high cost of cleanup. The average cost to restore a site

is \$25 million to \$30 million, and some estimates of the total cost of cleaning up all U.S. hazardous waste sites, including federal facilities, exceed \$1 trillion.

- The slow pace of cleanup.
- The limited role of citizens in selecting a remedy for a site in their community.

- The disproportionate impact of toxic waste sites on minority and low-income populations. It is estimated that 60% of black and Hispanic Americans live in communities with uncontrolled toxic waste sites.

- The lack of a comprehensive site-discovery program.

But Superfund does have some attributes, the commission says:

- Some sites have been cleaned up, and emergency action has taken place at many others to reduce immediate health risks.

- Preliminary information is being collected on thousands of sites not yet on the priority list.

- Fear of Superfund liability has created a new incentive for environmentally responsible corporate action, reducing hazardous waste production and improving waste-handling techniques.

- The sale of industrial property now requires a detailed investigation of the seller's compliance with environmental laws, potential contamination of the site and, in some cases, remedial action.

Still, the law is in serious need of rethinking, all sides agree. And all of its problems as well as its achievements will be weighed together by the commission, Mr. Mealey said.

"The Superfund program must be improved, and it can be," said Mr. Lash. "We sense a changed climate among all of the stakeholders. More than in previous years, industry and environmental advocates now seem to agree that the Superfund program needs reform and that Congress is likely, for the first time in the law's 12-year history, to consider major changes seriously."

"The National Commission on Superfund offers a real opportunity, in the right type of setting, for productive discussions that will lead to the better achieve-

ment of our nation's hazardous waste cleanup goals," he said.

Mr. Merrett, one of the two insurers on the commission, is confident that the meetings will be fruitful. "If I didn't think it would be a helpful development, I wouldn't be involved. We all have an interest in making (Superfund) work."

Because that will mean different things for different people, it is necessary for the commission to represent a diverse cross-section of parties, Mr. Mealey said. That's why only two insurers are represented on the commission.

Although New York-based American International Group Inc. is not a commission member, Crum & Forster's Mr. Brown is receiving staffing assistance from Jan Edelstein, director of AIG's National Environmental Trust Fund project.

"There's some connection," said Les Cheek, senior vp-federal affairs for Crum & Forster in Washington. Mr. Cheek also anticipates other Superfund reform groups—including the 18-member Coalition on Superfund organized in 1987 by insurers and large "potentially responsible parties," like General Electric Co. and American Telephone & Telegraph Co.—will provide some input to the commission.

"There are a lot of us who are involved in more than one group," he said. "Most of the people interested in Superfund travel like a pack."

As a result, the inventive no-fault cleanup plan suggested by AIG Chairman and Chief Executive Officer Maurice R. Greenberg may be considered by the commission.

"We're considering all the options," said Mr. Mealey, who declined to elaborate because of the confidentiality agreement.

Mr. Greenberg has proposed that insurers, policyholders and self-insurers each pay a tax equivalent to 2% of premiums into a trust fund that would be administered by the EPA to finance government-mandated cleanups (BI, March 6, 1989).

Other members of the commission are:

John H. Adams, executive director of the National Resources Defense

Council; Peter A.A. Berle, president and CEO of the National Audubon Society; Dr. Patricia Buffler, dean of the School of Public Health at the University of California at Berkeley; Dean Buntrock, chairman and CEO of Waste Management Inc.; and Robert N. Burt, chairman and CEO of FMC Corp.

Also, Benjamin Chavis, executive director of the United Church of Christ Commission for Racial Justice; Gary Cohen, executive director of the National Toxics Campaign Fund; H. Lorraine Fuller, chairman, president and CEO of Amoco Corp.; John Johnstone, chairman, president and CEO of Olin Corp.; and Fred Krupp, executive director of the Environmental Defense Fund.

Also, Pamela Linton, president of Pollution Solutions, a treatment, storage and disposal company; Richard J. Mahoney, chairman and CEO of Monsanto Co.; Michael McIntosh, president of the McIntosh Foundation; and Penny Newman, executive director of Concerned Neighbors in Action, in Riverside, Calif.

Also, William D. Ruckelshaus, chairman and CEO of Browning Ferris Industries Inc.; Nathaniel Pryor Reed, of Hobe Sound, Fla.; Susan Thornton, mayor of Littleton, Colo.; and Robert E. Wages, president of the Oil, Chemical & Atomic Workers International Union.

International Editor Stacy Shapiro in London contributed to this article.

Insurers praise Clinton for Superfund statement

WASHINGTON—Insurers are greeting President Clinton's desire to "use Superfund to clean up pollution and not pay lawyers" with delight.

"I laud the statement," said Rodger S. Lawson, president of the Alliance of American Insurers in Schaumburg, Ill. "I'd be surprised if you would find anybody in the property/casualty industry" who would disagree with the president's goal.

"It was phenomenal. The fact that he used his maiden speech" to address Superfund problems "is really positive," said Peter A. Lefkin, vp-government and industry affairs for Fireman's Fund Insurance Co. in Washington.

F. David Rolwing, chairman, president and chief executive officer of Montgomery Mutual Insurance Co. in Sandy Spring, Md., and chairman-elect of the Alliance, warned that although he was "encouraged" by the president's stand, reform efforts would "meet some really serious opposition." Mr. Rolwing was one of the first insurance executives to endorse Mr. Clinton's presidential candidacy.

Twelve hours before the president spoke, Mr. Lefkin participated in a panel discussion on Superfund during the annual legislative conference of the National Assn. of Casualty & Surety Agents (see story, page 3).

"Superfund has failed. It's failed miserably. It's created a litigation nightmare," Mr. Lefkin said. He cited a Long Island, N.Y., site in which 136 law firms represent potentially responsible parties and another 72 law firms represent the PRPs' 442 insurers. Although the site was placed on Superfund's priority list more than eight years ago, no cleanup plan has been approved, he said.

Superfund also came under fire from Dennis Connolly, senior vp with broker Johnson & Higgins in New York, who called it a "stupid, unfair law" that has destroyed the market for pollution liability insurance.

Mr. Lefkin advocated creation of a National Environmental Trust Fund financed by a broad-based tax to pay for the cleanup of sites fouled before 1986. This idea, proposed by American International Group Chairman Maurice R. Greenberg, is supported by a number of large insurers and brokers.

But Leonard Shen, majority counsel to the Senate Subcommittee on Superfund, Recycling and Solid Waste Management, dismissed that idea as "not politically appealing." Using taxes to pay for cleanup costs—at a time when the president is asking for other tax hikes—won't attract support, he said.

—By Mark A. Hofmann

Clinton proposal

Continued from page 1
in cost-shifting to the private sector," said Henry Saveth, a principal with A. Foster Higgins & Co. Inc. in New York.

"There is potentially major cost-shifting," because providers will have to find some way to make up the government-imposed shortfall, agreed Frank McArdle, a consultant with Hewitt Associates in Washington.

"There is considerable concern about Medicare being subjected to a different set of rules. If we were all on the same playing field, we wouldn't have to worry about cost-shifting," said Donna Lynne, executive director of the New York Business Group on Health.

The medical community is "dedicated to health system reform" but does not support a cap on increases in physician fees, said Dr. Raymond Scalettar, chairman of the board of trustees of the Chicago-based American Medical Assn.

"Government has created massive health care bureaucracy and paperwork... and now wants to reduce reimbursement to pay the bill," he charged.

"Four years ago, physicians bargained in good faith with the government to overhaul the Medicare payment system. Physicians have lived up to their end of the bargain, and data for 1992 indicates the volume of services is well below the standard set by the government. The government chose to cut physician reimbursement in spite of the agreement," Dr.

Scalettar said.

The American Hospital Assn. also is dismayed at President Clinton's suggestion to limit increases in reimbursement.

"It's our understanding that President Clinton is calling for a reduction in the amount of increase hospitals would have received from Medicare—not a freeze on payments," said George Belsey, executive vp at the AHA in Chicago. That decision "puts further pressure on an already broken and fragmented system" and will result in further cost-shifting to the private sector, he also predicted.

But Bob Laszewski, principal with Washington consultant Health Policy & Strategies Inc., said the threat of massive cost-shifting may be a deliberate tactic by President Clinton to encourage major changes in the health care system.

Proponents of managed competition, which the president supports, would be able to point to the cost-shifting and argue that the only way to control costs is to abandon virtually all fee-for-service plans and put all consumers in purchasing groups.

"I absolutely believe caps on Medicare payments will result in cost-shifting," said Nancy Hughes, group insurance manager-employee benefits for Safeway Inc. in San Leandro, Calif. However, "I read between the lines" that Clinton's speech to Congress last week was a threat to legislators that they had better pass his impending package of health care reforms.

Many suspect that the president's health care reform package will contain some bitter medicine, primarily because additional revenues will have to be raised to extend health care coverage to the 36 million uninsured Americans.

Most of the revenues gleaned from tax increases and other programs outlined in the president's speech are earmarked for deficit reduction.

For example, Mr. Clinton proposes that the 1.45% Medicare portion of the Social Security tax be imposed on an individual's entire income, rather than just the first \$135,000. The \$29 billion raised over the first five years of this change would go toward deficit reduction rather than extending access to health care.

"The speech was the sign of things to come in the health care reform area. The president proposed some bitter medicine. It's all castor oil and cold showers," said Foster Higgins' Mr. Saveth.

"We're likely to see more of that in the health care package. Despite some people's protestations to the contrary, I think we're going to be paying more and getting less," he said. Taxes on employer-provided benefits and greater restriction on choice of physicians are likely to be part of the health-care package, he predicted.

Anthony Gajda, a principal in William M. Mercer Inc.'s New York office, said he was disturbed by the president's remark that he intends to bring health care costs in line with inflation. "This might suggest

some kind of budget caps or expenditure limits," which have been opposed by many health reform advocates because they don't think they will work.

Some employers, though, favor the president's commitment to incorporate health reform in a broader economic package.

"I was favorably impressed that there was an emphasis on his health care package. He's wrapped it around his economic package; it's not just a little piece," commented Ms. Hughes of Safeway.

"We are glad President Clinton shares our goals about investment in a sound economic future," said Ellen Goldstein, director of communications and health policy for the Assn. of Private Pension & Welfare Plans in Washington, an employer lobbying group. "We applaud his determination to solve the health care crisis."

Republicans senators, who have so far taken a back seat in the debate over health care reform, may soon be taking a more active role.

Senate Minority Leader Robert Dole of Kansas and other GOP senators plan to meet in Annapolis, Md., this weekend to discuss health care. The weekend retreat is not open to the public or media.

Meanwhile, the president's economic plan also would lower the amount of compensation on which pension benefits and contributions can be based.

Under the proposal, the maximum salary that can be used to calculate benefits

Continued on next page

Clinton plan

Continued from previous page
paid by a qualified defined benefit plan and contributions to a qualified defined contribution plan would be cut to \$150,000 in 1994 from the current \$235,840.

The administration hopes the move would raise \$1 billion by 1997.

Sylvester Schieber, director of The Wyatt Co.'s research and information center in Washington, provided an example of how the proposal would lower pension bene-

fits for highly paid workers in a defined benefit plan.

Under the example, assume an employee with 30 years of service retires with a final salary of \$235,840. If the employee is promised a pension benefit equal to 2% of final salary multiplied by years of service, the employee would be eligible for an annual benefit of \$141,504.

However, such a benefit already would exceed the maximum allowed by Section 415 of the Internal Revenue Code, currently \$115,641 per year. Under the proposed lower salary limits, though, "You can only provide a benefit of 60% of \$150,000—that's \$90,000," or about \$25,000 below the current allowable benefit, Mr. Schieber said.

The proposal also would affect defined contribution plans. Under an example from Foster Higgins' Mr. Saveth, assume an employee earns \$235,840 annually and the employer contributes 5% of pay to a thrift plan. This year, the employer could contribute a maximum of \$11,792 to the plan. By lowering the salary limit to \$150,000, the maximum contribution would be cut to \$7,500.

Mr. Saveth said employers probably wouldn't be tempted to increase the percentage of pay they contribute because they would have to increase the percentage for all employees, not just highly paid workers, to meet non-discrimination rules.

Overall, lowering the maximum salary used to calculate pensions is "stealing from the future," Mr. Schieber said.

Although the Social Security system is adequately funded for about another 25 years, when the so-called Baby Boomers begin to retire, they'll find that limits on private pension benefits and shortfalls in Social Security could translate into a lower standard of living, he said.

"The president is getting extremely bad advice on retirement policy," said Mr. Schieber. **BI**

Front and center: Health care reform

NEW YORK—Health care reform legislation could be ready for a congressional vote by year end, but 1994 is a more likely target date, predicts a congressional adviser.

For the Clinton administration, health care reform will "smother all other issues," said Phyllis Borzi, pension and benefits counsel for the House Labor and Management Relations Subcommittee. She spoke earlier this month at a meeting in New York of the Network of Professionals Working in Employee Benefits.

Ms. Borzi praised the president's selection of his wife, Hillary Rodham Clinton, to head the administration health task force. "She has a good record of consensus building. It's a gutsy, high-risk strategy appointing his wife, but it shows how important he thinks health care reform is," Ms. Borzi said.

Global budgeting and managed competition, both of which the president has supported, will likely be part of any final reform proposal, she said. However, Congress is unlikely to amend the Employee Retirement Income Security Act of 1974 to let states take more action on their own, she added.

"The common view is that ERISA is a humongous roadblock that prevents states from implementing progressive change. People believe that with ERISA exemptions, the states could move forward with all sorts of programs," said Ms. Borzi.

"But surcharges on hospital payments (recently struck down by courts in New York and New Jersey) and taxation to fund other programs is not progressive. Congress is not going to allow the states to fund programs on the backs of employers and union plans that already offer health care benefits," she said.

Ms. Borzi said there is "rock solid" opposition in Congress to curbing the pre-emptive strength of ERISA. "ERISA was created to prevent state mandates that harm benefit plans. A change isn't going to happen."

Any reform measure will also probably restrict the ability of self-insurers to retrospectively cut promised benefits, she said. "It was the H&H Music case that brought this to light."

Last year the Supreme Court refused to review an appeals court ruling that the Houston music store did not violate ERISA when it cut benefits for AIDS treatment (*BI*, Nov. 16, 1992).

—By Michael Schachner

Skyscraper fire litigation

Continued from page 2

time" has passed "to begin getting that building back together," said Henry Daar, a partner with Kostow & Daar in Chicago, which represents Aetna. "We felt it was time for Aetna to invoke its right under the policy to reconstruct the building on its own."

Jeffrey Rotwitt, an attorney with Obermayer, Rebmann, Maxwell & Hippie in Philadelphia that represents E/R in insurance-related matters, said the complexity of the damage has delayed a decision on how to repair the building.

However, he said E/R recently proposed tearing down the upper floors of the building to the highest floor undamaged by the fire and then rebuilding the skyscraper. E/R told Aetna that would cost an estimated \$261.6 million.

It was at that point, Mr. Rotwitt said, that Aetna exercised its option under the policy to repair the building itself.

However, Aetna refused to allow E/R and its consultants and engineers to approve Aetna's reconstruction plan, under which the building would be shored up at a cost significantly less than \$261 million.

"This is why we're blocking them from taking on the project themselves. They want to fix our building, eventually return it to us, but they won't allow us to have input into the reconstruction. That's not acceptable," Mr. Rotwitt said.

Separately, E/R has filed a \$400 million negligence suit against 21 companies that it says were re-

sponsible for the start and spread of the blaze.

E/R filed suit in Philadelphia County Court earlier this month, alleging that collective contractor negligence was the primary reason why the fire raged uncontrolled over the two-day period.

The suit charges 20 firms that manufactured, supplied, installed and inspected standpipe systems, pipe valves, smoke and fire alarms, nozzles and other fire detecting and firefighting equipment with gross negligence. The lawsuit also alleges that a Philadelphia-area contractor working in the 22nd-

'We're satisfied that we can walk into court and prove our claims,' says Stephen Cozen, E/R's attorney.

floor offices of reinsurance broker Balis & Co. improperly and negligently stored oily rags that caused the fire.

E/R claims that as a result of the fire, it ultimately will incur insured and uninsured expenditures totaling at least \$400 million related to lost rental income, reconstruction, replacement of property and other factors.

Aetna will have a subrogation interest for any amount E/R receives as a result of its lawsuit, up to the amount the insurer indemnifies E/R for its losses.

To date, Aetna has paid E/R about \$28.5 million of a \$51 million claim related to the cost of stabilizing the building after the fire.

Aetna also has paid "a portion" of E/R's lost rental income, said Mr. Rotwitt.

While E/R is seeking indemnification from Aetna for the cost of maintaining the building and for lost rental income, it also has chosen to sue the companies it says were responsible for the fire, E/R's attorney explained.

"This is not a San Juan DuPont Plaza suit where we have named everyone under the sun," said Stephen Cozen of Cozen & O'Connor in Philadelphia. "Our clients made it very clear they only wanted to target those companies that had an active role and fault in the fire. We're satisfied that we can walk into court and prove our claims."

E/R still faces eight class-action negligence suits that seek more than \$250 million in compensatory damages and more than \$2 billion in punitive damages (*BI*, April 22, 1991), as well as subrogation suits by insurers of former tenants and wrongful death suits filed by the families of the dead firemen.

E/R has \$100 million of liability insurance.

E/R is a partnership made up of The Equitable Life Assurance Society of the United States, two U.S. units of a Dutch government pension fund and Pan American Office Investments Inc., a Philadelphia building manager run by Richard I. Rubin & Co. Inc. **BI**

Update

Hospital settles malpractice suit

CHICAGO—A Cook County Board committee approved a \$6.58 million settlement to a patient allegedly injured at Cook County Hospital in Chicago. The county self-insures its liability exposure.

Frances J. Dismuke was placed on a ventilator after delivering a baby by Caesarean section at the hospital in 1991. Her guardian claims the ventilator was disconnected improperly, causing cardiac arrest and ultimately Ms. Dismuke's permanent vegetative state. The baby was unharmed.

The settlement last week is the hospital's second malpractice claim in a year to exceed \$6.5 million. Last June, the board approved a \$6.7 million settlement with a girl, now 16 years old, who allegedly was deprived of oxygen at birth.

Insurer seeks to protect assets

LEXINGTON, Ky.—Kentucky regulators last week placed Kentucky Central Life Insurance Co. in rehabilitation and issued a six-month moratorium on policy surrenders.

The Lexington-based insurer had asked regulators on Feb. 12 to take steps to preserve its assets. The insurer, which is not insolvent, made the request after California regulators ordered it to stop writing new business in the state. California's move was prompted by the collapse of a deal that would have generated \$100 million in capital for the insurer.

Regulators in Florida, Mississippi, Ohio, Texas and Washington also have barred Kentucky Central from writing new business.

A.M. Best Co., which downgraded the insurer's rating to E—under state supervision—from B+, said Kentucky Central has been adversely affected in recent years by an underperforming mortgage portfolio, a significant number of policy surrenders and a lack of marketing momentum.

Suit filed in staged gem heist

LONDON—Lloyd's of London underwriters are going back to court to try to recover 1.8 million pounds (\$2.6 million) they paid in connection with a staged gem heist in 1990.

The coverage was led by syndicate 710, which is managed by Laurence Philipps (Agencies) Ltd., and recently merged with syndicate 902, managed by PB Coffey (Underwriting Agency) Ltd.

British tax authorities discovered the swindle during an investigation of Inca Gemstones, a London company set up by Benedict Marsh and Darius Guppy, the best man at the wedding of Earl Spencer, Princess Diana's brother. The two were convicted of fraud earlier this month and now await sentencing.

Underwriters first sued in 1991, but that action was delayed when criminal charges were brought.

Wisconsin names top regulator

MADISON, Wis.—An executive of an employer health care cooperative will be Wisconsin's next insurance commissioner.

For the past six years, Josephine W. Musser, 41, has been chief executive officer of Employer Health Care Alliance Cooperative, which represents 70 Dane County businesses.

Ms. Musser—a trained nurse who also holds a master's degree in business—replaces Robert D. Haase, who resigned under fire last month for allegedly giving preferential treatment to a department employee who was also his housemate (*BI*, Jan. 11).

Deputy Commissioner John W. Torgerson will be acting commissioner until March 8. He withdrew his name from consideration for the top post recently after state ethics officials said his interest in a title insurance company could create potential problems. As a deputy, he can avoid those problems, said a spokeswoman for Gov. Tommy Thompson.

Briefly noted

Richard Kronick, an assistant professor in the community and family medicine department of the University of California-San Diego, has agreed to serve as a consultant on Hillary Rodham Clinton's **Task Force on National Health Care Reform**. Mr. Kronick was the principal author of a study that suggests managed competition may not be suitable for small metropolitan and rural areas (*BI*, Feb. 1). . . . Brian J. Hynes, an associate of Carlos I. Miro and former managing director of London-based **Anglo-American International Reinsurance Co.**, has pleaded guilty to two mail fraud charges relating to the reinsurer's operations and is facing up to 10 years in jail. Anglo-American International was an affiliate of Mr. Miro's defunct Anglo-American Insurance Co. of Louisiana. . . . The Westminster Coroner's Court confirmed last week that Lloyd's of London underwriter Roy Bromley's death was a suicide. The 71-year-old former underwriter of **defunct Lloyd's syndicate 475** shot himself in the chest after it became apparent that 475 was going to make huge losses (*BI*, Feb. 1). . . . A federal judge in Chicago dismissed a suit against the city of Chicago filed by **Great Lakes Dredge & Dock Co.**, which was trying to avoid liability for April's underground flooding (*BI* Oct. 12, 1992). . . . Dow Corning Corp. says it will cooperate with a federal grand jury that subpoenaed the company for documents related to its **silicone gel breast implants**. But Dow Corning, which faces 3,500 to 4,000 product liability suits, will not release a report by its independent counsel, citing a judge's ruling that the report is privileged. . . . The American Insurance Assn. is expected to announce later this week the formation of an in-house group dealing solely with **Superfund**. In a related development, the National Assn. of Casualty and Surety Agents endorsed the creation of a national trust fund to replace Superfund.

P&I rates

Continued from page 1

Europe and the Far East. The clubs say the spills have had little effect on P&I rates for tankers.

Shipowners are relieved that the 50% rate increases that they faced last year have not been repeated.

P&I coverages are renewed Feb. 20, traditionally the date when the Baltic Sea can first be crossed after the winter freeze.

The average rate increase this year has been approximately 15%, said John Pexton, managing director of Fenchurch Marine Brokers Ltd. in London. But, an additional 15% to 75% is being tacked on for fleets with poor loss experience.

Standard rate increases vary between 10% and 20%, agreed Barry Coulson, marine divisional director at Nelson Hurst Group Ltd. in London. "If you have a spotless record, you have a chance of getting a couple of points off that increase, but if you have a horrendous record you could pay over 30% more."

But, Mr. Pexton said, "When shipowners are faced with increases of 15%, they are relieved that they are not as high as last year."

This year's increases are part of an on-going re-rating process imposed by the clubs, Mr. Coulson said. "Next year, the increase might only be between 5% and 10%, but it will continue."

The clubs are reverting to a policy of increasing rates every year, said Phil Mitchell, a partner at Tindall Riley & Co. in London, which manages the Britannia Steamship Insurance Assn. Ltd. "If you look back over the last 25 years, you will see a controlled rise in the cost of P&I insurance. It was only during the last five years of the 1980s that there was a lull in the increases."

Britannia imposed a general rate increase of 10% this year.

The rate hikes are largely attributable to rising claims costs.

"As our costs and exposures continue to rise, premiums have to rise also," said Kenneth Norman, senior associate at West of England Ship Owners Insurance Services Ltd.

West of England increased its advance call, which is the initial premium a shipowner pays to a P&I club, by 20% this year.

In addition, part of clubs' increased costs comes from the general increase in liability awards throughout the world. Legislative changes by many governments have led to the

higher awards, Mr. Norman pointed out.

"The underlying environment in which shipowners operate is not improving. The trend is to make them more and more liable," said Edward Mocatta, senior director at A. Bilbrough & Co., which manages the London Steamship Owners' Mutual Insurance Assn. Ltd. The London club imposed a 15% general increase this year.

The club actually received fewer claims in 1992 than in 1991, Mr. Mocatta said. However, this decrease was because fewer ships were active last year due to the recession in the shipping industry. While the total cost of all claims decreased in 1992, the cost of individual claims still is increasing, he said.

Also, increases in commodity prices have led to increased liability and higher repair costs, said Mr. Mitchell of Tindall Riley.

And increases in crew wages and medical compensation awards in several countries, like India, have led to higher claims, he said.

Increased retentions by clubs also helped force rates higher, managers and brokers say.

"Although we are paying much the same price for our reinsurance, the clubs need to take in more money" to finance their higher retentions, said Stephen James, a partner at Thomas Miller & Co., which manages The United Kingdom Mutual Steam Ship Assn. (Bermuda) Ltd.

Individual P&I clubs are retaining \$3 million per risk rather than \$2 million. Claims exceeding this retention up to \$25 million are paid by the International Group of P&I Clubs. The International Group's maximum limit last year was \$15 million.

Clubs react to Chicago flood

LONDON—Protection and indemnity clubs are limiting their coverage for some specialty vessels in response to last year's Chicago "flood" (BI, April 20, 1992).

The unusual disaster was triggered when a contractor drove pilings through the bed of the Chicago River into an underground rail tunnel, which caused the river to leak.

Although no claims from the Chicago loss were filed with P&I clubs, many clubs do cover similar pile-driving vessels.

Reinsurers are wary of the possibility of a loss similar to the Chicago flood hitting P&I clubs, and they have limited the clubs' reinsurance coverage to exclude similar risks.

That, in turn, has led the clubs to re-

strict coverage for some policyholders.

Claims above \$25 million are reinsured. About 5% of the P&I clubs' reinsurance will remain unplaced this year due to the capacity crunch at Lloyd's of London. The reinsurance is placed by Miller Insurance Group Ltd. and led by syndicate 79 managed by Janson Green Ltd.

Meanwhile, the Civil Liability Convention helped minimize the impact of recent oil spills have on P&I rates, brokers and managers say.

"The Aegean Sea and Braer have proved to be manageable, and the Civil Liability Convention stood the test," said Mr. Mitchell.

Under the CLC, pollution liability is limited according to the size of the vessel unless the operators of the vessel are found negligent.

For example, pollution liability for the Braer, which broke up in the Shetland Islands, Scotland, is limited to \$8.2 million under the CLC (BI, Jan. 11).

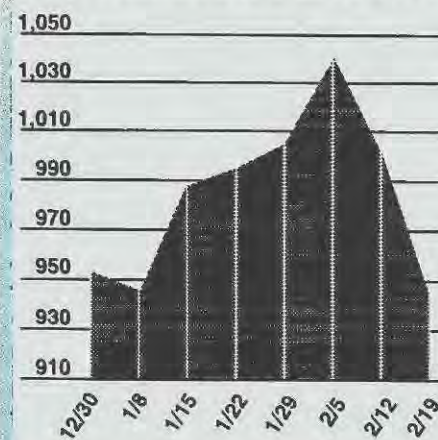
However, the spills have made some club managers wary of new tanker risks, said Fenchurch's Mr. Pexton. "Tanker rates have not really changed, but clubs are generally not looking to increase their tanker tonnage."

There has been little movement by shipowners among clubs this renewal season. Only around 2% to 3% of the fleets have changed clubs.

And some brokers have attracted new business.

For example, Fenchurch now places P&I coverage for Sovcomflot, a 100-vessel fleet owned by commercial investors in Moscow that operates largely from Cyprus. Sovcomflot previously dealt directly with its insurers, the U.K. Club and the West of England. **BI**

BI Insurance Index



Base = 100 on Dec. 29, 1978
Source: Nordby International Inc.

Insurance industry stocks fell last week, as the *Business Insurance Index* dropped 57.4 points to 946.2 on Feb. 19 from 1,003.6 on Feb. 12. Advancing issues for the week were led by Re Capital Corp., up 4.1%; Phoenix RE, up 3.9%; and RLI Corp., up 3.7%. Declining issues for the week followed Pacific Health Sys., down 36.1%; United Healthcare Corp., down 17.0%; and FHP International, down 15.1%. The most active issue was U.S. Healthcare, 11.2 million shares traded. The *BI* Index was down 5.7%; the NYSE Composite was down 2.5%; the Standard & Poor's 500 was down 2.3%; and the Dow Jones 30 Industrials fell 2.1%.

British Issues

Feb. 18 Companies	Price	P/E	Div.	Yield	1 Week	
					High-Low	per cent
Comm Union	593	N/M	32.5	5.5	605-591	
Genl Accident	582	N/M	35.7	6.1	582-568	
Gdn Royal Exch	176	N/M	10.0	5.7	176-174	
Royal	285	N/M	7.0	2.4	289-280	
Sun Alliance	325	N/M	19.0	5.8	339-325	
Brokers						
Bradstock	143	16.9	6.8	4.8	143-143	
CE Heath	352	20.3	21.3	6.0	352-346	
Hogg Group	183	17.5	10.9	6.0	183-176	
JIB Group	185	14.1	10.0	5.4	185-185	
Lloyd Thompson	266	21.5	7.5	2.8	266-266	
Lowndes Lmbt	355	14.0	16.8	4.7	355-354	
PWS Holdings	59	8.8	5.3	9.0	59-59	
Sedgwick Grp	179	14.3	8.0	4.5	179-172	
Steel Brl Jones	234	11.4	17.7	7.6	234-226	
Willis Coroon	185	11.8	17.6	9.5	185-185	

Source: Philip Olsen, London

* Estimated

BI Industry Stock Report

FEBRUARY 16, 1993 THROUGH FEBRUARY 19, 1993

BROKERS

		Weekly Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
Accordia Inc.	NYS	20.75	-3.49	-3.49	24.75	15.13	248	0.36	1.73	18	7.01	2.96
Alexander & Alexander	NYS	26.13	-2.34	-1.42	28.88	18.00	289	1.00	3.83	19	10.00	2.61
Gallagher Arthur J. & Co.	NYS	33.63	-1.10	19.03	35.00	21.00	163	0.64	1.90	21	6.35	5.30
Hill, Rogal & Hamilton	NYS	15.63	-2.34	0.00	16.38	11.00	19	0.44	2.82	22	3.11	5.02
Marsh & McLennan	NYS	91.13	-0.95	-0.27	97.63	71.25	649	2.68	2.94	21	14.40	6.33
Poe & Associates	OTC	16.50	-9.59	-1.49	19.00	11.25	5	0.40	2.42	21	2.64	6.25
BROKERS AVERAGE			-3.3	2.1					2.2	18		

CONGLOMERATES & HOLDING COMPANIES

		Weekly Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
Berkley W.R. Corp.	OTC	49.00	-2.00	13.95	50.50	31.00	109	0.36	0.73	18	23.51	2.08
Berkshire Hathaway Inc.	NYS	12150.0	-2.02	3.40	12850.0	8675.00	1	0.00	0.00	48	6437.25	1.89
ITT (Hartford Group)	NYS	74.75	-0.83	3.82	76.25	59.38	1665	1.96	2.62	-28	68.23	1.10
Sears (Allstate)	NYS	53.75	1.90	18.13	53.75	37.75	6393	1.60	2.98	-10	40.18	1.34
CONGLOMERATES AVERAGE			-0.7	9.8					1.6	7		

INSURERS/REINSURERS

		Weekly Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
AEGON N.V.	NYS	45.88	3.09	10.21	45.88	33.00	9	0.68	1.48	8	34.06	1.35
Aetna Life & Casualty	NYS	45.88	-6.14	-1.34	53.75	38.00	2129	2.76	6.02	83	67.08	0.68
Allied Group Inc.	OTC	37.25	-2.61	17.32	38.88	18.75	585	0.84	1.72	11	11.29	3.30
Allmerica Prop. & Casualty	OTC	53.25	-6.58	5.45	55.50	34.75	163	0.44	0.83	9	40.44	1.32
American General	NYS	56.75	-1.09	-0.44	61.50	40.25	753	2.20	3.88	12	39.89	1.42
American Heritage Life Ins.	NYS	32.38	-3.00	7.02	33.88	24.88	3	0.84	2.59	15	16.51	1.96
American International	OTC	9.13	-1.35	52.08	9.75	4.75	1	0.06	0.88	5	14.43	0.63
Aon Corp.	NYS	117.25	-4.67	1.08	127.88	82.00	1942	0.56	0.48	16	54.21	2.16
Argonaut Group	OTC	30.78	-4.68	-5.79	35.50	39.75	571	1.68	3.30	17	27.17	1.87
AVEMCO Corp.	NYS	50.75	-0.65	0.82	53.25	25.50	60	0.84	2.73	9	21.70	1.42
Baldwin & Lyons Inc.	OTC	33.63	0.37	-7.88	36.50	26.50	10	0.48	1.43	8	30.85	1.09
Chandler Insurance	OTC	4.50	0.00	-5.26	7.63	3.88	1	0.00	0.00	20	8.63	0.52
Chubb Corp.	NYS	89.00	-3.52	0.14	95.50	62.38	866	1.60	1.80	13	40.67	2.19
CIGNA Corp.	NYS	61.63	-5.37	5.12	68.00	47.13	1237	3.04	4.93	11	81.73	0.75
CNA Financial Corp.	NYS	91.00	-4.46	-7.14	102.88	78.50	81	0.00	0.00	-9	80.24	1.13
Continental Corp.	NYS	26.88	-3.15	0.00	34.75	20.00	636	1.00	3.72	13	38.32	0.70
EXEL Ltd.	NYS	44.50	-5.82	-5.82	51.00	32.13	149	1.00	2.25	9	N/A	N/A
Fund American Corp.	NYS	73.00	-1.85	1.39	74.50	62.50	24	0.00	0.00	53	81.85	0.89
Fremont General Corp.	OTC	38.00	-0.65	10.14	38.75	17.00	152	1.08	2.84	9	25.62	1.48
Frontier Insurance Group	NYS	43.38	-4.14	-0.29	46.25	27.03	39	0.60	1.38	15	13.97	3.10
Gaisco Inc.	ASE	17.13	-6.16	21.24	19.50	7.78	141	0.04	0.23	23	2.65	6.46
General RE Corp.	NYS	117.50	-3.69	1.51	130.50	77.50	633	1.88	1.60	17	46.07	2.55
Guaranty National Corp.	NYS	20.00	-8.05	1.27	23.00	13.50	97	0.48	2.40	13	9.12	2.19
Harleysville Group	OTC	26.25	-6.61	0.00	32.75	17.75	68	0.64	2.27	12	16.77	1.68
Hartford Steam Boiler	NYS	55.50	-4.10	-3.90	59.25	45.13	90	2.12	3.82	20	19.74	2.81
Kemper Corp.	NYS	28.38	-5.02	-4.22	35.25	20.75	678	0.92	3.24	-8	37.65	0.75
Lawrence Insurance Group	ASE	7.88	1.61	-8.70	10.38	7.00	3	0.48	6.10	18	4.66	1.69
Liberty Corp.	NYS	29.88	-1.24	5.75	32.88	22.25	136	0.56	1.87	12	18.43	1.62
Lincoln National	NYS	72.38	-4.30	-1.03	78.25	50.50	648	3.04	4.20	9	58.92	1.23
Market Corp.	OTC	35.50	-1.39	13.60	36.00	23.00	21	0.00	0.00	8	15.44	2.30

		Weekly Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
Mutual Risk Mgmt. Ltd.	NYS	39.50	-10.48	-2.47	46.00	25.75	108	0.28	0.71	23	7.51	5.26
NAC Re Corp.	OTC	42.25	-2.87	4.32	44.75	21.75	163	0.16	0.38	74	13.60	3.11
National Re Corp.	NYS	36.13	-4.62	21.94	39.00	17.00	58	0.12	0.33	20	N/A	N/A
Navigators Group	OTC	30.38	-2.02	-6.54	48.00	28.50	15	0.00	0.00	21	15.69	1.94
Nobel Insurance Ltd.	OTC	7.25	0.00	23.40	8.25	4.25	121	0.00	0.00	5	3.91	1.85
NWNL Companies	NYS	56.50	-3.83	11.06	62.13	29.75	552	1.48	2.62	14	46.21	1.22
Ohio Casualty Corp.	OTC	67.25	-1.10	6.53	68.75	49.00	333	2.68	3.99	12	43.08	1.56
Old Republic Int'l	NYS	25.13	-3.83	1.01	27.38	18.75	329	0.40	1.59	8	18.63	1.35
Orion Capital Corp.	NYS	38.38	-5.25	8.48	41.25	23.19	98	0.80	2.08	7	28.62	1.34
Phoenix RE Corp.	OTC	23.50	3.87	49.21	23.50	8.88	291	0.20	0.85	-36	13.32	1.76
Provident Life	NYS	28.88	-2.94	1.32	31.50	20.00	143	1.04	3.60	12	30.38	0.95
Re Capital Corp.	ASE	15.88	4.10	-3.79	16.63	12.25	89	0.24	1.51	76	16.88	0.94
Reliance Group Holdings	NYS	6.00	-4.00	-2.04	7.13	4.00	401	0.32	5.33	3	2.94	2.04
RLI Corp.	NYS	28.00	3.70	13.13	28.00	17.75	13	0.52	1.86	12	17.92	1.56
St. Paul Companies	NYS	79.63	-1.70	3.41	83.25	66.50	699	2.80	3.52	-14	59.79	1.33



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