

# Business Insurance

Reporting Weekly on Corporate Risk, Employee Benefit and Managed Health Care News / \$4

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## AEGON-Transamerica deal to form third-largest U.S. life insurer

SAN FRANCISCO—Dutch insurer AEGON N.V. has agreed to purchase Transamerica Corp. for \$10.8 billion. The purchase price will consist of \$9.7 billion in stock and cash and the assumption by AEGON of \$1.1 billion of Transamerica's debt. The deal will merge Transamerica into AEGON USA, combining two large life insurance companies to form the third-largest U.S. life insurer, based on both assets and net premiums, the companies. See Updates on next page

## Employers criticize OSHA ergonomics proposal

By MARK A. HOFMANN

WASHINGTON—The nation's chief workplace safety enforcer wants to promulgate an ergonomics standard by the end of 2000.

But employers hope the proposal unveiled by the Occupational Safety and Health Administration last Friday doesn't become law as presently written.

The proposal would require affected employers to create an ergonomics program to prevent or reduce ergonomics-related injuries. The basic elements of the program would include management leadership and employee participation, hazard identification and information, job-hazard analysis and hazard control, training, medical management, and program evaluation. The proposal would cover all worksites that involve manufacturing and manual handling, as well as any worksite where a single work-related musculoskeletal disorder, or MSD, is reported. Agricultural, construction and maritime worksites would not be covered.

Even before OSHA made the draft public, employers began gearing up for a fight after a draft leaked out last month (BI, Feb. 1). Employer groups, including the Risk & Insurance Management Society Inc., wasted no time in blasting the proposal's single-MSD-report criteria as too burdensome.

The new draft, however, could prove even more burdensome if it goes into effect as written. Under the new draft, all manufacturing and manual handling operations would have to adopt a program that incorporates the management leadership and employee participation, hazard identification and medical management provisions.

See Standard on page 4

### Elements of an ergonomics program

Requirements under the newly released OSHA draft

- Management leadership and employee participation
- Hazard identification and information
- Job hazard analysis and control
- Training
- Medical management
- Program evaluation



Source: OSHA

## XL to grow in U.S.

\$1.2 billion merger with NAC Re fortifies book

By DOUGLAS McLEOD and GAVIN SOUTER

GREENWICH, Conn.—XL Capital Ltd.'s \$1.2 billion merger with NAC Re Corp. leaves the Bermuda company well positioned to expand its U.S. insurance and reinsurance business, particularly if market conditions ever begin to tighten, industry observers agree.

In picking up one of the dwindling number of attractive U.S. reinsurance merger candidates, XL obtains a solid book of U.S. reinsurance business and a platform to expand that business and its direct insurance underwriting through NAC Re's two direct insurance subsidiaries.

Greenwich, Conn.-based NAC Re, meanwhile, obtains the financial

	XL CAPITAL	NAC Re	Combined companies
Revenues	\$1.62 billion	\$699.4 million	\$2.32 billion
Earned premiums	\$1.01 billion	\$532.8 million	\$1.54 billion
Assets	\$10.11 billion	\$3.23 billion	\$13.34 billion
Shareholders equity	\$4.82 billion	\$750.7 million	\$5.57 billion

\*As of fiscal year end, Nov. 30, 1998  
 \*\*As of year end, Dec. 31, 1998  
 \*\*\*Pro forma, reflecting the full year's results of XL Mid Ocean Reinsurance Ltd. and The Brockbank Group PLC.

backing of the much more highly capitalized XL. That backing will allow it to take on bigger risks and to retain more of those risks.

XL and NAC Re last week announced an all-stock deal in which

the two will merge in a tax-free exchange of shares that will be accounted for as a pooling of interests.

NAC Re shareholders will receive 0.915 XL shares for each NAC Re share. See XL on page 20

## Proposed claim deadlines draw insurer opposition

By JERRY GEISEL

WASHINGTON—Proposed Labor Department regulations setting new, tight deadlines for resolving health care claims are so flawed that they should be withdrawn, insurers said last week.

During three days of hearings, insurers warned that the proposed regulations set such tight deadlines for handling claims that their administrative costs could shoot up anywhere from 30% to 50%.

They also warn that processing errors would rise and that their ability to detect provider fraud would be severely hindered.

"We believe the proposed rules should be withdrawn.

The proposed regulations will lead to excess federal regulation, higher costs for health coverage and more uninsured Americans," said S. Owen Hunt, deputy general counsel at Trigon Blue Cross & Blue Shield in Richmond, Va.

At the same time, benefit managers say it would be impossible for their companies to meet the proposed deadline for every claim.

"Many plans resolve the vast majority of benefit claims within the deadlines prescribed by the regulation. But, to the best of my knowledge, no plan resolves every benefit claim within the proposed deadline. Claims raising difficult legal, factual or policy issues inevitably take more time. See Claims on page 21

## Verdict may trigger more suits

# Liability for guns unclear

By RODD ZOLKOS

A jury's verdict earlier this month in New York failed to shed light on the extent of exposure gun manufacturers face from a growing wave of lawsuits filed against them.

The verdict, which found 15 of 25 gunmakers named in the suit guilty of negligently distributing the weapons, was the first to hold gun manufacturers liable for the weapons' use in crimes. But the verdict's mixed nature has prompted similarly mixed views on its implications. Gun manufacturers plan to

appeal the verdict handed down in U.S. District Court in Brooklyn. The suit was filed by one survivor of a shooting and the families of six people killed with illegally obtained handguns.

The jury found liability only in the cases of three of the victims, however, and awarded damages only to the surviving victim.

The verdict came as New Orleans; Chicago; Atlanta; Miami-Dade County, Fla.; and Bridgeport, Conn., have filed their own suits against gunmakers.

See Guns on page 6

## Cities target gunmakers



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NEWSPAPER

## Updates

### AEGON buys Transamerica

Continued from previous page said.

"In a rapidly consolidating and globalizing financial services industry, this transaction unites Transamerica and its shareholders with one of the most financially strong and successful companies in the worldwide insurance industry," Transamerica Chairman and Chief Executive Officer Frank Herringer said in a release.

Although headquartered in the Netherlands, more than half of AEGON's pretax income comes from its Baltimore-based U.S. unit. The company also has large operations in the United Kingdom, Spain and Hungary.

AEGON USA also has a large annuity business, and Transamerica is prominent in the life reinsurance, annuities and long-term care insurance fields, while also possessing commercial lending, transportation leasing and real estate operations. Therefore the deal makes sense, as the two companies complement one another, said Tom Upton, a director for Standard & Poor's Corp. in New York. He added that the purchase price is "reasonable in today's market."

Primarily because of the size of the purchase and the large amount of non-insurance business, however, S&P said it has revised its outlook for AEGON N.V. to negative from stable. The ratings themselves, though, have not changed.

Donald Shepard, AEGON USA chairman, president and CEO, will oversee the combined U.S. insurance operations, while Mr. Herringer will head the non-insurance operations. In addition, Mr. Herringer will join the AEGON N.V. executive board.

The combined company will retain the Transamerica name and use it where appropriate.

The deal, expected to close this summer, still requires shareholder and regulatory approval.

### Aon to formalize disclosure

CHICAGO—Aon Corp. is taking formal steps to notify clients of the potential for receiving contingent commissions based on the business they place with insurers.

While the broker said it always disclosed contingent commissions to clients that asked for the information, Aon now plans to add more formal disclosure language in its routine billing and other statements, confirmed Michael O'Halleran, president and chief operating officer of the Chicago-based brokerage giant.

The issue of disclosing contingent commissions—fees paid by insurers based on the profitability and volume of the business placed by brokers—has been a hot topic with the Risk & Insurance Management Society Inc. and the Council of Insurance Agents & Brokers.

J&H Marsh & McLennan Inc. and RIMS reached an agreement in late January on a new procedure in which the broker would disclose, when asked by risk managers, the fees it receives from insurance companies (BI, Feb. 1).

### GATS keeps protocol schedule

GENEVA—A landmark financial services accord giving greater freedom of access to insurers in participating countries is set to come into force on March 1.

At a meeting here last week, the 52 countries that had ratified the World Trade Organization's Fifth Protocol to the General Agreement on Trade in Services by the Jan. 29 deadline voted to stick to the originally targeted Mar. 1 implementation date and to give the remaining 18 signatory countries until June 15 to ratify the agreement.

Originally, 70 countries, representing over 95% of world trade in banking, insurance, securities and financial information, were signatories to the agreement. It brings trade in financial services under the WTO's multilateral rules on a permanent and full most-favored-nation basis, with participating countries mainly agreeing to either maintain or expand the market access they currently offer foreign financial service suppliers.

The United States and all 15 European Union countries, apart from Luxembourg, are among the signatories to the accord.

### January cat damage high

NEW YORK—Four catastrophes caused an estimated \$1.75 billion in insured property damage last month, according to the Property Claim Services unit of the Insurance Services Office Inc.

That made this January the third-costliest on record since 1949, according to PCS. In fact, the one-month total is more than double the \$750 million in insured property damage caused by catastrophes during the first three months of last year. PCS defines a catastrophe as an event that causes at least \$25 million in insured property damage and affects a significant number of policyholders and insurers.

Two storms in the first part of last month caused \$1.2 billion of insured property damage to 29 states, and a pair of storms that raked the southern tier of states from Texas to Georgia caused an estimated \$500 million in insured property damage during the second half of the month.

Arkansas sustained the most insured damage of any state in January, suffering insured damage of \$250 million, primarily from tornadoes. Winter storms also caused \$130 million in insured property damage to New York; \$115 million in insured property damage to Pennsylvania; \$95 million in insured property damage to New Jersey; and \$90 million in insured property damage to Michigan.

### Y2K mediation/arbitration program

NEW YORK—The American Arbitration Assn. is taking a stab at curbing potential costly and time-consuming court trials over Y2K problems with a new mediation and arbitration program.

See Updates on page 22

# Muni bond insurers benefiting from issues

By JUDY GREENWALD

A booming new issues market for long-term municipal bonds and generally competitive rates are continuing to attract municipalities to financial guarantee insurance.

Last year, more than half of all new issues were insured, while the number of total municipal bond issues, bolstered by a thriving economy, increased as well.

Rates vary by sector. Particularly competitive are the relatively loss-free general obligation and tax-backed revenue bonds, while rates have increased in the health

care area, which posted some losses.

The financial guarantee market has attracted new entrants, with at least one new financial guarantee insurer/reinsurer expected to have an initial public offering shortly. There also has been more interest in the market by multiline reinsurers. And Bermuda is becoming an increasingly popular domicile for financial guarantee companies.

There continues to be concern, however, over the additional risk primary insurers and reinsurers may assume through their diversification efforts in areas that in-

clude asset-backed securities, mortgages and ancillary services. The issue already has led to a management change at one reinsurer, New York-based Capital Reinsurance Co.

The municipal bond insurance market is dominated by four primary insurers who confer their rating agency-granted AAA ratings on the issues they insure: AMBAC Assurance Corp., Financial Guaranty Insurance Co. and Financial Security Assurance Inc., all based in New York; and Armonk, N.Y.-based MBIA Insurance Corp.

See Guarantee on page 22

# Drug plans to be debated

Many state legislatures are expected to consider mandates

By ROSEANNE WHITE

WASHINGTON—While employers struggle with escalating drug benefit costs, many state legislatures this year will consider mandates that could raise expenses even more, according to the Blue Cross & Blue Shield Assn.

At least 17 states are expected to debate legislation that would require a health plan to continue to cover a patient's use of a drug after it has been dropped from the

plan's formulary or to provide a means of obtaining coverage for drugs that have never been on the formulary, according to Blues plans surveyed by the association earlier this year.

And 12 states are expected to consider legislation that would prohibit or restrict the substitution of generic drugs for certain brand-name drugs unless substitution is specifically permitted by the physician, the survey on the 1999 legislative outlook indicates.

"Pharmacy-related legislation is an emerging trend," Susan Laudicina, the association's Washington-based director of state services research, said at a news conference earlier this month.

California, Rhode Island and Tennessee passed laws last year requiring continued coverage of drugs that have been dropped from formularies. Fourteen states in the last three years have passed legislation requiring that a health

See Mandates on page 16

# Concerns voiced on safety reform

By MARK A. HOFMANN

WASHINGTON—Not even the prospect of a year's immunity from federal civil fines has sent



employers into a swoon over a new workplace safety reform bill.

That isn't to say that risk managers and insurers are rejecting S. 375, the Safety Advancement for Employees Act of 1999, out of hand. But the measure is raising some concerns among insurers and risk managers because of its reliance on third-party safety consultants.

The bill, introduced earlier this

month by Sen. Mike Enzi, R-Wyo., would encourage employers to hire third-party safety consultants to audit their workplaces for compliance with rules set by the Occupational Safety and Health Administration.

Consultants would have to be certified by OSHA before they could issue certificates of compliance.

Under the bill, OSHA still could inspect sites that had been certified by qualified consultants and order employers to correct any violations found, but employers would be exempt from civil OSHA fines for one year after being certified.

Meanwhile, OSHA unveiled yet another draft of a controversial proposed ergonomics standard late last week, causing employers even more concern about how the agency goes about its business (see story, page 1).

See OSHA on page 21

## RMC directory upcoming

Business Insurance will publish its annual Directory of Risk Management Consultants in its March 15 issue, which will include a Spotlight report on risk management services.

The directory will list companies that derive at least \$100,000 of their gross revenue from pure risk management consulting. BI defines pure risk management consulting as providing advice on risk management issues on a fee-for-service basis.

The directory is provided as a service; there is no charge to be included. If your company has not yet received a questionnaire, request one from Directory Editor Kevin P. Edison at 312-649-5279. Copies are also available at [www.businessinsurance.com/magazine/directories.html](http://www.businessinsurance.com/magazine/directories.html). Completed questionnaires must be received by March 2.

## Inside

• While the Labor Department's current time limits in which health care plans must act on claims are obsolete, the new proposed rules are unrealistic, one of this week's editorials says. **PAGE 8**

• Despite a slowdown in terrorist attacks in mainland Britain and the resulting fall in terrorism insurance rates, the sector has recently seen an unexpected rise in capacity. **PAGE 17**

• New litigation reforms about to come into force will hit U.K. risk managers and insurers hard if they are unprepared, lawyers and consultants warn. **PAGE 17**

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# Measurement a challenge

## Few employers can quantify wellness savings: Study

By ROBERT KAZEL

Only about one in 10 employers that have introduced employee wellness programs such as health promotion, disease prevention, health education and disease management can measure results in terms of cost savings, according to a new survey.

Nonetheless, employers offer these programs because management appreciates other, less-tangible advantages of having healthier workers, the author of the study said. And two survey participants said they are working hard to prove wellness pro-

grams save them money.

Still, surveyed employers cite other obstacles to the success of such programs.

New York-based benefit consultant William M. Mercer Inc. surveyed 248 mid-size and large employers—those with 1,000 or more employees—and found that nearly half, 46%, offer some kind of health management program to workers.

That includes a broad range of voluntary activities aimed at improving workers' health through medical monitoring, counseling or education. Another 21% of respondents are considering introducing such

a program, the survey showed.

Of those employers with such programs, these specific options are offered:

- Lifestyle modification, 88%. These programs, designed to encourage healthier habits, include smoking cessation and weight-loss initiatives.

- Disease prevention, 63%. These initiatives, such as cancer screenings, help detect health threats before they become more serious.

- Self-care education, 59%. This is the distribution of information on health, such as teaching employees how to treat cold symptoms.

- Disease management, 48%. Through

See Health on page 14

### Obstacles to success

Percentage of employers reporting these difficulties in making health management programs succeed:

Inability to measure results	53%
Adverse selection (high-risk workers don't participate)	41%
Lack of employee interest	38%
Low return on investment	15%
Lack of management support	10%

Source: William M. Mercer Inc.

## Educator Hedges dies at 79

By MICHAEL PRINCE

PHILADELPHIA—Robert A. Hedges, a leader in the field of risk management and a former associate dean at Temple University, died earlier this month in his home outside Philadelphia.

Mr. Hedges, who was 79, died of leukemia.

In 1987 and 1988, Mr. Hedges served as a judge for *Business Insurance's* annual Risk Manager of the Year award.

In 1954, he earned his doctorate from the University of Illinois at Urbana-Champaign. He taught risk management at the University of Illinois for 19 years. He also held the Chartered Property Casualty Underwriter and Chartered Life Underwriter designations.

He left the University of Illinois in 1967 to join the newly formed risk management department at Philadelphia's Temple University, according to Wayne Snider. Mr. Snider, professor emeritus, a former chairman and the founder of Temple's risk management department, said he recruited Mr. Hedges.

Mr. Hedges taught at Temple until his retirement in 1988. During his years at the university, Mr. Hedges became a full professor and served as chairman of the risk management department for four years, from 1984 to 1988, and associate dean of the Fox School of Business & Management for six years, from 1969 to 1975.

Among Mr. Hedges' contributions to risk management is a leading textbook, "Risk Management in the Business Enterprise," that he co-authored with Robert I. Mehr.

"They wrote it, and it was the primary text. And then they rewrote it, and it was still the primary text," Mr. Snider said.

In 1964, the book won the ARIA Elizur Wright Award for a distinguished contribution to the field of risk management and insurance. Mr. Hedges also co-wrote two other texts in the field of risk management.

Outside of academia, Mr. Hedges also was active in the field of risk management. He was involved for

See Hedges on page 23



Mr. Hedges

## Northridge Quake: 5 years later

### Damage far exceeded initial loss estimates

By JOANNE WOJCIK

A little more than five years after the Northridge earthquake rattled Southern California, the temblor is still shaking up the insurance industry.

Among the lessons learned from the January 1994 quake: Insured damage was far greater than early estimates and much harder to calculate than previously thought.

As of Sept. 30, 1998, insurers had paid an estimated \$15.3 billion in losses from Northridge, according to Paul Devlin, chief executive officer of the Boston-based Institute for Business & Home Safety. While "most claims are closed at this point," insurers could still pay more for the Northridge quake, he said.

That would make the Northridge quake the second-costliest insured loss in history, behind 1992's Hurricane Andrew.

IBHS, formerly known as the Insurance Institute for Property Loss Reduction, is a non-profit organization whose members include 85 insurers, reinsurers and risk management consulting companies. IBHS is an industry-funded initiative to reduce the impact of natural disasters.

By comparison, just after the quake of magnitude 6.7, Risk Management Solutions Inc., a computer modeling firm based in Menlo Park, Calif., predicted insured damage would total just \$1.5 billion to \$2 billion.

This new damage tally shows it's a lot harder to project earthquake losses than was once thought.

"Northridge was a seminal event for the insurance industry," Paul Vander-Marck, vp at RMS, said when looking back at that original RMS estimate.

"One of the key things we learned is

See Quake on page 12



PHOTO: JOHN LINDEN/ESTO PHOTOGRAPHICS  
The new Arrowhead Regional Medical Center in San Bernardino, Calif., was designed to withstand quakes.

## Building code toughened

### Hospitals must protect against collapse by 2008

By JOANNE WOJCIK

LOS ANGELES—Although the 1994 Northridge earthquake was much less severe than "the Big One" expected on the San Andreas fault someday, it served as a warning to property owners throughout California that few buildings are seismically safe.

And while new building codes have been upgraded throughout the state during the five years since the quake, no law passed so far is as rigorous as the 1994 legislation requiring hospitals to be retrofitted or, in many cases, rebuilt.

Under the new law, passed just eight months after the quake, all hospitals in California with inpatient beds must be protected



The collapse of buildings such as the Northridge Meadows apartment complex in the 1994 earthquake has led to closer scrutiny of the components used in construction.

PHOTOS: JOEL CASTRO, CASTRO & WORTHGE

against collapse by the year 2008.

Before that, the most recent Hospital Seismic Safety Act in California was passed in 1972 after the 1971 Sylmar earthquake, which caused the Olive View-UCLA Medical Center to collapse.

"If you're going to house someone overnight, you have to withstand an 8.4 magnitude earthquake on the San Andreas fault," said Jim Lott, senior vp-advocacy for the Healthcare Assn. of Southern California in Los Angeles.

"We sponsored the legislation ourselves to make sure this was done in a reasonable manner. There were proposals from various lawmakers) calling for compliance within

See Hospital on page 12

## Lloyd's plans to ease market access

By SARAH GODDARD

LONDON—Easier access for international policyholders and greater cost-efficiency are among the goals of proposed sweeping changes at Lloyd's of London.

The Lloyd's Market Board report issued earlier this month outlines Lloyd's response to the increased competitiveness of the global insurance market and pinpoints where Lloyd's would like to be in three years (*BI*, Feb. 8).

The document identifies two main priorities. The first is for the LMB to create an attractive trading environment; the second is to support profitable growth.

## LLOYD'S

Reducing costs figures highly in the moves to improve Lloyd's operating environment. Among a number of cost-cutting measures, the LMB states it will pay off the nearly £300 million (\$490.1 million) loan it took from a number of banks to help pay for its reconstruction and renewal program. This is currently being paid for by a 1.1% levy on all premiums collected by Lloyd's;

that levy will end in 2001.

Tough market conditions and consequent falling premium volume could reduce the amount raised, said Andrew Duguid, Lloyd's director of strategic planning, though it would be offset by recoveries of names' unpaid R&R debts. Ultimately, Lloyd's could extend the loan period, he said.

Lloyd's brokers also are helping to fund R&R. The £40 million (\$65.3 million) balance of their contribution will be paid by June next year.

As part of the cost-cutting exercises, See Lloyd's on page 19

# Standard

Continued from page 1

sions as soon as the rule became effective, OSHA Administrator Charles Jeffress said during the press conference at which the draft was unveiled. The other three criteria would be imposed if an MSD were reported. In addition, they could be imposed even if there were no reports of MSDs under the proposal's "known hazard" provision, if a hazard were identified in insurance or consultants' reports or through self-audit.

The new draft also would make it more difficult for employers to prove that any ergonomics programs they already have in place will satisfy the new standard. The previous draft set three criteria for existing plans to meet before an employer could be considered compliant. First, the program had to "satisfy the basic obliga-

tion" of each of the six program elements. Second, any part of the program that differed from the requirements would have to fulfill their purposes. Third, any existing program would have to predate and have been evaluated before the effective date of the standard.

The new draft adds a fourth criterion, requiring that the employer prove the plan is "eliminating or controlling" hazards to "the extent feasible."

Mr. Jeffress stressed that Friday's release of the draft was only the first step in a process he hopes to have completed by the end of 2000. Under federal law, the draft must be reviewed to determine its impact on small businesses before OSHA can issue a formal proposal. Mr. Jeffress said he expects that review to be completed by May, a formal draft to be published in the fall, public hearings to begin in early 2000 and a final rule to be issued by the end of next year.

Mr. Jeffress said the rule would cover general industry and supersede state ergonomics rules and thus prevent a "patchwork" of state rules. He also defended the single-injury proposal, saying this provision reflected "best practices" used by employers.

Employers and insurers remain opposed to the proposal.

David Farmer, senior vp in the Alliance of American Insurers' Washington office, called the provision "overarching and overreaching at best." He added, "It simply strikes us that this proposal goes way beyond that which is necessary and would impact virtually every employer in the country because of the universal use of computers."

Christopher E. Mandel, RIMS vp-external affairs and director-global risk management at Tricon Global Restaurants Inc. in Louisville, Ky., said: "First, RIMS and its member companies put the safety and health

of their employees as a key strategic priority. Member companies work continuously to ensure the effectiveness of health and safety programs to meet this goal. The new standard unnecessarily complicates this already focused effort and layers additional costs on employers struggling to become more efficient in the new global economy. Existing programs already establish U.S. companies as leaders in this realm.

"The one-incident threshold is unreasonable and creates a burden for employers that is unnecessary. In addition, the standard is too broad to impose on such a broad base of employers and does not recognize the effort put forth by most responsible employers to minimize all workplace injuries and diseases within existing health and safety programs," he added.

He said RIMS wants to work with OSHA to "attempt to ensure new reg-

ulation will not unnecessarily burden employers with new costs and rules that decrease their competitiveness while adding little to the protection of employees' health and safety."

Insurers have other concerns as well, said Arlene Ryndak, a workers compensation specialist with the National Assn. of Independent Insurers in Des Plaines, Ill.

Part of the proposal could "intrude on state workers comp systems. It sets up a new standard of disability for those who have MSDs. It puts them in a special class and actually gives them more rights than any other class of injured worker," she said. For example, the proposal would mean that employers could be required to maintain a 100% wage for a worker with an MSD, with the employer's cost being offset by workers comp, she said.

Both Ms. Ryndak and Mr. Farmer also criticized the "known hazard" provision. "This is really intruding on the insurer/policyholder relationship," said Ms. Ryndak. "The insurer's report could be used against the policyholder," and thus diminish the trust between insurers and policyholders, she said. "We're taking this very seriously."

Jenny Saunders Krese, director-employment policy for the National Assn. of Manufacturers in Washington, echoed the concerns of the insurers about the known hazards provision and raised concern about the changes in the grandfathering provision to allow existing ergonomics programs to meet the new standard.

"The known hazards portion and the grandfathering section are of great concern. It's a new hoop for our members to jump through to prove that their existing ergonomics program should or should not be grandfathered into the ergonomic standard," she said. **BI**

## BI staff change

CHICAGO—*Business Insurance* has made a change in its Chicago editorial staff.

Kevin P. Edison, 44, has joined the magazine as directory editor. He replaces Sandra Budde, who resigned to pursue other interests.

Mr. Edison is responsible for coordinating the magazine's in-publication directories as well as the annual directory of buyers.

Before joining *BI*, Mr. Edison was research coordinator for the Donors Forum of Chicago, a non-profit association that produces the Directory of Illinois Foundations and the Members and Forum Partners Directory. Previously, he conducted research at the Human Capital Research Corp. and ABT Associates, both in Chicago.

Prior to that, Mr. Edison was research editor for Chain Store Guide, a New York-based publication covering the chain store industry, and was research coordinator for Jacques Cattell Press in New York.

He received bachelor of arts degrees in political science and history from the University of Wisconsin-Eau Claire in 1977.

Mr. Edison can be reached at 312-649-5279.

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Charles A. Horvath, *Business Insurance's* first salesman, passed away last month at age 70. Mr. Horvath served as district manager in New York from the magazine's founding in August 1967 until his retirement in July 1995.

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What can we do to help you?

## Opinions

## Deadline rules won't work

**F**EW WOULD DISAGREE that current Labor Department rules setting time limits on how fast health care plans have to act on health care claims are dated and need to be revised.

Those rules were put together more than 20 years ago. That was light-years ago, given how much the health care system has changed.

Under those rules, health care plans must act on claims as soon as possible but no later than 90 days. Given the advances in technology—such as electronic processing of claims—it is clear that a 90-day standard now is obsolete.

Regrettably, though, rules the Labor Department has proposed to replace those now on the books are so flawed that perhaps the best thing the department could do is start over.

Perhaps the biggest flaw is that the new deadlines set by the department apply not only to requests for coverage but also to the processing of claims after service has been delivered.

These are distinct and entirely different parts of the health care delivery system. It is not unreasonable to require health care plans—as the regulations would—to respond to coverage requests within 72 hours for urgent care and within 15 days for non-urgent care. Already, according to testimony presented last week at a Labor Department hearing on the proposed rules, health plans do better than that.

But these deadlines are counterproductive when applied, as the Labor Department has proposed, to claims after service is provided.

Yes, health care plans probably could process claims within 15 days, but we think the tradeoff for meeting this new turnaround time would be unacceptably high.

Anyone who has ever has filed a health care claim knows mistakes are commonly made. These include innocent blunders, such as providers accidentally miscoding procedures. Far worse, and still a significant problem, is outright fraud, such as when providers seek reimbursement for services never provided.



We fear that the new Labor Department deadlines would mean that fewer mistakes would be caught and more fraud would go undetected. The long-term price would be higher health insurance costs. Surely that is not in the national interest.

Other deadlines also are unrealistic. For example, in a situation where the claim information is incomplete, a plan administrator would have to notify the beneficiary within five days of receipt of the claim. That would mean, in effect, that all claims would have to be processed within five days, a deadline so tight that insurers would have to significantly add to their staffs, with the price passed on to customers.

Perhaps the only good news in these rules is that Labor Department officials last week went on the record to say they have an open mind when it comes to considering modifications.

We hope the officials are true to their word.

## NAIC cat bond guidelines timely

**A** PUSH BY THE National Assn. of Insurance Commissioners to clarify accounting and regulatory issues pertaining to risk securitization deals is a welcome move by state regulators.

This effort should not only make it easier for U.S. companies to transfer risk for their catastrophe exposures but it also represents a forward-thinking stance by regulators. State insurance regulators are often criticized for failing to keep up with the rapid changes occurring in the market they oversee; this move demonstrates they are not blind to the market's interest in and use of these sophisticated tools.

As we reported recently, a working group of the NAIC is laboring to clarify accounting and other guidelines for what it calls "fully funded, loss-based securitization transactions for catastrophe exposures," better known as cat bonds (*BI*, Feb. 15). The group's ambitious goal is to have this effort wrapped up by the start of the 1999 hurricane season, a little more than three months away.

The impetus for the move is the enormous catastrophe exposures U.S. insurers face, as well as concern by regula-

tors about the solvency of insurers and their reinsurers after such an event. Regulators recognize that cat bond deals that are fully collateralized offer excellent protection for the insurer, especially in light of the fact that reinsurers collateralize only a fraction of their individual exposures.

The regulators doubtless have other motives, not the least of which is a desire to protect their turf. For example, it will be far easier for them to keep an eye on such deals if they are done in their own backyard, following their own rules, rather than in offshore domiciles.

The move also may demonstrate to critics that state regulators recognize and are equipped to handle new financial elements of insurance. Indeed, modernizing their approach to timely issues coincides with the ongoing debate over financial services modernization legislation and who would make the most suitable regulator of insurance—the states or the federal government.

Whatever its reasons, we are encouraged by the NAIC's move, and we hope the organization continues to identify ways it can streamline and update its oversight of commercial insurance as the industry itself continues to grow.

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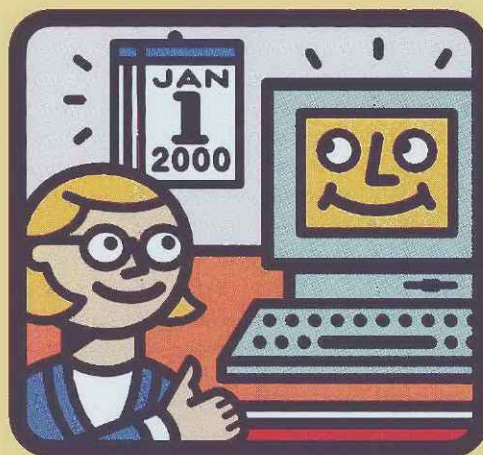
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# Quake

Continued from page 3  
that we shouldn't be publishing industry loss estimates unless we have a reliable industry database."

"We didn't have all of the industry exposure information and used higher deductibles than were actually in force at the time," he recalled. In addition, he said, many insurers significantly underestimated the value of the exposures they were underwriting.

"Northridge is somewhat of an anomaly because of the claims that showed up late," said Mr. Devlin.

There was "a large number of claims for damage that wasn't initially discovered," pointed out a spokeswoman for the American Insurance Assn. in Sacramento. Many of the AIA's 300 member insurers wrote property coverage in Southern California at the time of the quake.

Moreover, she said, insurers were surprised that "many of the buildings thought to be quake-resistant really weren't," and the industry's early damage estimates didn't include the additional costs of repairing and retrofitting structural damage that many of these buildings suffered.

Using the lessons from Northridge, RMS—which supplies catastrophe modeling technology to the insurance industry—has recalibrated its model. Applying today's knowledge to that 1994 event likely would produce a much different result, he said.

Since the quake, many insurers have restructured their property portfolios—by not renewing certain policies and declining to write others—in order to better spread their earthquake exposure, Mr. VanderMarck said.

The areas that reported damage from the Northridge quake, which struck at 4:31 a.m. on Jan. 17, 1994,

covered 2,192 square miles in Los Angeles, Ventura and Orange counties. Its epicenter was one mile south of the San Fernando Valley town of Northridge at a depth of 11 miles. Since the quake, at least 14,000 aftershocks have been recorded, including 11 of magnitude 5.0 or greater.

Although the quake lasted only a few seconds, the severe ground shaking resulted in 61 deaths and injuries to almost 12,000. The quake damaged approximately 114,000 residential and commercial structures, including 450 public buildings. Sections of six freeways collapsed and 27 bridges suffered damage, as did power, water and sewer utilities, according to the IBHS.

IBHS estimates total economic losses from the quake at \$40 billion, making it the costliest earthquake ever to strike the United States. Yet, at a magnitude of 6.7, Northridge was not the strongest earthquake the nation

has experienced.

In the winter of 1811-12, three earthquakes of magnitude 8 centered near New Madrid, Mo., caused cracks in the earth's surface, changed the course of the Mississippi River and rang church bells 1,000 miles away in Boston. Unlike Southern California today, however, the central Mississippi Valley was sparsely populated in the early 19th century, and few man-made structures existed.

If a similar seismic event were to occur today in the Los Angeles area—highly developed and home to millions of people—the resulting property damage and loss of life would be significantly more devastating than Northridge, points out the IBHS.

Despite the apparent failure of computer modeling to accurately estimate the Northridge loss, Mr. VanderMarck of RMS said the system can play a vital role in insurance underwriting. "If you think about how people use the information we produce, it's not to give a handle on the actual number, but to provide a range so that companies can better manage their property portfolios," he explained.

The Northridge quake was "a tremendous learning experience," Mr. VanderMarck said. "There was a fundamental lesson—insurers were underestimating the vulnerability of residential structures. There was also the

garbage in, garbage out lesson. The industry's claims files showed significant underinsurance," he said.

For example, insurers often underestimated the cost of repairing and replacing residential structures, he said. Under the old model, an insurer might have estimated the cost of replacing a home at \$100,000 but later learn the rebuilding actually cost twice that, he said.

According to IBHS, homeowners with residential earthquake coverage accounted for the greatest proportion of insured losses from Northridge: \$11 billion, or 72% of the total.

Commercial losses came to almost \$4 billion, or 26% of the total. Various other personal lines losses made up the rest.

Only 1992's Hurricane Andrew, which cost insurers an estimated \$15.5 billion, exceeds Northridge in insured losses.

IBHS established its Catastrophe Paid Loss Database in 1994 to determine the amount of insured losses for property damage resulting from natural catastrophes. Property Claim Services, a division of the Insurance Services Office Inc., traditionally issues an estimate of such losses within a few weeks after an event. The IBHS database completes the picture by subsequently identifying the losses insurers actually pay out over time. **BI**

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## Hospital

Continued from page 3  
five years of the (Northridge) earthquake, and the industry could not stand that kind of immediacy."

Under the law, hospitals must submit plans for upgrades to the Office of Statewide Health Planning and Development, the state's hospital oversight agency, by the year 2000. Facilities that do not complete upgrades by 2008 will be closed or barred from housing patients overnight.

The 1994 legislation has placed a monstrous financial burden on the state's health care industry. Because most of the hospitals in the state were built before 1975, the new law is expected to cost anywhere from \$17 billion to \$40 billion to implement. As a result, the Los Angeles area is expected to lose 26% of its medical infrastructure, according to Mr. Lott.

"Hospitals will either build smaller or not build at all," Mr. Lott said.

"We're going to build a whole new hospital," said a spokesman for the University of California Medical Center in Los Angeles. The new UCLA Medical Center, will cost about \$600 million, he said.

In addition, the university will pay another \$200 million to strengthen the UCLA Medical Center in nearby Santa Monica; that building was weakened in the Northridge quake, the spokesman said.

The total construction budget for the UCLA projects has been set at \$1.3 billion, with \$432 million coming from the Federal Emergency Management Administration, \$44 million from the state, \$300 million in bonds and the remainder from private fund-raising. "The entire Health Sciences Center is going to be rebuilt because of the Northridge quake," the spokesman said.

Seismic-resistant features added about 10% to the cost of building the new Arrowhead Regional Medical Center in San Bernardino. The center is scheduled to open later this month.

The new 383-bed facility, designed by Los Angeles architects Bobrow/Thomas & Associates, replaces the county's 47-year-old medical center in the city of San Bernardino. The center is the third-busiest trauma center on the West Coast.

"It's the largest base-isolated structure in the world," boasted architect Michael Bobrow.

The three buildings in the 905,000-square-foot hospital complex rest on 392 elastic base isolators designed and manufactured by Dynamic Isolations Systems Inc. of Lafayette, Calif.

The isolators, which each resemble a sandwich of rubber and steel plates 20 inches wide and 35 inches tall, sit beneath the columns and walls.

In addition, the building has 184 dampers, which look like giant automobile shock absorbers installed horizontally. Each damper is 12 feet long and 14 inches wide and weighs 3,000 pounds. The dampers consist of Teflon-coated, solid stainless steel pistons in cylinders filled with non-combustible silicone fluid. They are attached to tabs on the columns, trusses and the foundation.

Each damper is designed to absorb 320,000 pounds of pressure at a maximum velocity of 60 inches per second. The peak measured ground velocity of the Northridge quake was 51 inches per second.

Used together in the hospital, isolators and dampers will produce the highest level of protection ever tried for commercial use, according to Douglas P. Taylor, president of Taylor Devices Inc. of North Tonawanda, N.Y. Taylor Devices designed the dampers with help from the National Center for Earthquake Engineering Research. The company had previously designed dampers to absorb the shock of nuclear blasts from the government's MX missile silos.

The buildings in the San Bernardino facility are linked by 25 telescoping "portals" that will allow the four-foot gaps between the buildings to close to as little as four inches or open as wide as eight feet. That is designed to allow a building to move during an earthquake rather than collapse. The material used in the portals is flexible so that when movement occurs, the connections between the buildings are not cut off. Flexible mechanical joints were installed in the electrical and mechanical utility lines.

"The project required several new inventions," Mr. Bobrow recalled.

To test the reliability of the overall seismic system, "some parts of the building were fabricated" in various parts of the world, he said.

And changes were made to the original plan—which was in the final stages of review by hospital regulators when the Northridge earthquake hit on Jan. 17, 1994—incorporating the lessons Northridge taught in seismic safety, he said. **BI**

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# Many Northridge suits still pending

By JOANNE WOJCIK

LOS ANGELES—Litigation over the Northridge earthquake could be even more tumultuous than the quake itself.

While the lawsuit that got the most attention immediately after the January 1994 quake has been settled, one attorney expects many more suits to be filed once the extent of damage to building components has been revealed.

Litigation over the collapse of the Northridge Meadows apartment complex settled for an undisclosed sum in 1995, said Joel Castro, a partner with Castro & Worthge in Los Angeles. The firm represented the plaintiffs.

But many other, more complicated suits—such as those alleging defective welds on steel frame buildings—remain to be heard, said Mr. Castro, whose firm has filed about 15 product liability suits against weld metal manufacturers.

The Northridge quake challenged the assumption long held by engineering experts that welded steel moment frame connections were capable of

extensive yielding without a loss of strength. This type of weld is the most common in high-rise buildings.

"The weld metal is supposed to be flexible, but it's not. It fractures brittle, though it's not supposed to fracture at all," Mr. Castro said, quoting from one of the lawsuits.

Unfortunately for building owners, there is a statute of limitations for such lawsuits, he pointed out.

"There's a real statute of limitations issue. Normally the statute of limitations for latent defects is 10 years, but there's a three-year statute of limitations for known property damage," he said.

Because the earthquake struck five years ago, time may be running out for property owners to seek any compensation from third parties to cover the cost of repairing these allegedly faulty welds.

"As soon as the fracture is found, the three-year clock starts ticking," Mr. Castro said.

Because the city did not require inspections until March 1995, the three-year statute of limitations will commence from the date the owners re-

ceived inspection reports from expert consultants, Mr. Castro suggested.

On March 1, 1995, the city of Los Angeles adopted an ordinance mandating the inspection and repair of all steel high-rise buildings with moment frame connections in designated earthquake-damaged areas.

Then, in 1996, the city banned further use of flux cored weld metal—the kind used in moment frame welds—because it could not meet required toughness standards under more rigorous building codes adopted after the quake. However, engineers remain uncertain as to whether even the new materials will be strong enough to withstand another earthquake like Northridge. It was unusual in that it created both horizontal and vertical ground movement, whereas earthquakes generally create movement in only one direction.

The Institute for Business & Home Safety in Boston is monitoring steel-frame structures and will publish by the end of this year a guide for earthquake property damage litigation, according to Paul Devlin, chief executive officer.

## Project aims for early quake warning

LOS ANGELES—A \$20.75 million initiative launched since the 1994 Northridge catastrophe could ultimately lead to an early warning system that will save lives and mitigate property damage from earthquakes.

The TriNet Project, which uses recent advances in computer communications technology and data processing, consists of 30 state-of-the-art digital seismic stations throughout California, 20 strong-motion sites installed near critical structures in Southern California, and instrumentation at two high-rise buildings in strategic locations in Los Angeles.

TriNet's objective is to quickly determine the location and magnitude of

ground movement in order to predict where a quake is heading and how strong it is likely to be.

The project is a collaboration of the California Institute of Technology in Pasadena, the U.S. Geological Survey and the California Department of Conservation's Division of Mines and Geology. It has funding from both the state and federal governments and from private industry.

When TriNet initially was tested during a 5.4 magnitude quake in March 1997, Caltech seismologists had full-color poster-sized maps of the region within 15 minutes of the event. Seismologists also were able to determine the magnitude of the event

within five minutes.

The maps, which showed ground accelerations, can be used to ascertain likely damage in an earthquake area.

Eventually, TriNet could result in prototype early warning systems to distant locations in the Los Angeles area that potentially damaging ground shaking is on the way. After an earthquake occurs, the seismic waves travel a few kilometers per second, while communication transmissions can travel at the speed of light.

Thus, Los Angeles could receive warning of a major quake on the San Andreas fault 30 to 60 seconds before the heavy shaking begins in the city.

—By Joanne Wojcik

In contrast with the weld defect cases, the Northridge Meadows Apartments construction defect case was settled fairly easily, according to Mr. Castro.

"We got all of the insurance that was available" from the building owner and contractors involved in the construction of the complex, which was leveled by the quake, he said.

Mr. Castro said that as many as 90% of the other construction defect cases he handled involving homeowners were similarly settled, though a few did go to trial.

In such lawsuits, it is common to name as defendants all parties to a real estate transaction, including the real estate broker, seller, builder and designer. "We won a trial last year against a former owner and seller and contractor. The (real estate) broker was dismissed, and that's on appeal," he said.

He is preparing to go to trial in one case, *Elmassian vs. Republic Insurance Co.*, where the insurer declined to fully compensate the homeowners

because it said the damage to their home's foundation was pre-existing.

Indeed, many of insurers' initial damage estimates were far lower than the sums they eventually paid out in connection with Northridge, said Paul VanderMarck, vp at Menlo Park, Calif.-based Risk Management Solutions Inc. RMS is one of a handful of companies that uses computer modeling to project losses based on exposure information from insurers.

He likened the claims adjudication process in Northridge to that of the 1991 Oakland Hills fire, where politics had a hand in the amounts insurers eventually paid. The California Department of Insurance publicly called for insurers to pay claims stemming from the quake.

"The political environment may have played a role" in payments, because in many cases insurers paid out more than policy limits, he said.

"There were reports of homes that were total losses that were seriously underinsured," he said.

Since the Northridge quake, however, many insurers have re-examined the vulnerability of the exposures in their property portfolios, he said (see story, page 3). **BI**

## Health

Continued from page 3

case management and one-to-one counseling, these programs help employees cope with chronic health problems, such as diabetes.

Chief among the obstacles to wellness programs is employers' lack of evidence that the programs are indeed saving them money. About 10% of employers that have health management programs reported being able to quantify savings from health management activities, and 53% blamed lack of progress on an inability to gauge monetary results, said Stephanie Pronk, the Minneapolis-based Mercer principal who leads Mercer's health management consulting initiatives.

But even if direct health cost benefits cannot be measured, benefit managers can defend these programs by citing indirect benefits, Ms. Pronk said.

"Many times, programs have not collected the kinds of baseline data they need to quantify the data," she said. "To actually be able to quantify savings in terms of medical cost is difficult. It gets very complex, depending on the degree of rigor of the (analysis). . . . But it's not only about cost, it's about attracting and retaining employees, and it's about increasing productivity."

About four out of 10 employers in the survey with health management programs do look at health care claims and costs as one factor in deciding the success of health and wellness programs. About two-thirds of employers look at the level of employee participation as an indicator of the success of the programs. Other common gauges are employee feedback, changes in workers' behavior—employees who stop smoking, for instance—and a reduction in sick days.

Other obstacles to establishing successful programs exist, however. Forty-one percent of the survey's respondents cited adverse selection, or the tendency of healthy employees to join wellness programs while high-risk workers avoid them. Another four in 10 pointed to a general lack of employee interest, which Ms. Pronk said is a reflection of workers' busy lives.

More than half of employers with programs emphasize drawing high-risk workers, such as those who are overweight or have high blood pressure, into the programs.

An employer that took part in the survey, Detroit-based General Motors Corp., has found it possible to quanti-

fy the benefits of wellness initiatives to the satisfaction of top managers, said Tim McDonald, GM's manager of corporate health promotion.

"We're the one in 10 that does measure," he said. "It's hard for me to imagine upper management supporting a program that's not measured."

GM's wellness program, LifeSteps, was started in 1996 in cooperation with the United Auto Workers union. It includes smoking cessation, weight loss, cholesterol, blood pressure and exercise classes; health risk appraisals; educational booklets and newsletters; cancer awareness programs; and comprehensive disease management programs that aim to improve employee lifestyles, such as a program on eating habits.

The company measures its success in terms of lower health care costs, participation in programs, attendance and productivity, Mr. McDonald said. GM also is studying a possible connection between wellness participation and improved plant safety. An obese worker who loses weight, for instance, may be at less risk of developing back strain from lifting.

For another survey participant, Nutley, N.J.-based Hoffmann-La Roche Inc., being able to measure the financial impact of wellness programs will be of paramount concern, said William Hennrich, vp-treasurer.

The drug maker last fall kicked off its major health initiative, called Choosing Health. The program, which Mr. Hennrich said is expected in about three years to save the company \$2 for every \$1 invested, will use a subcontractor to track myriad employee data, ranging from attendance at wellness classes and use of the fitness center to inpatient and outpatient medical expenses. The data will be aggregated to preserve employee privacy and analyzed by Hoffmann-La Roche to assess the impact of wellness programs. Data on those workers avoiding wellness programs also will be accumulated and studied.

"We'll know which employees are at risk of certain diseases, which have voluntarily chosen to accept certain intervention as part of the program," he said. If the initiative succeeds at the New Jersey headquarters, more programs will be offered to company employees nationwide.

"Our commitment to our management is to prove this program will be the gold standard for the industry," Mr. Hennrich said.

For a free copy of the study, "1998 Fax Facts Survey on Health Management," contact William M. Mercer Inc. at 888-637-2379.

# Carvill

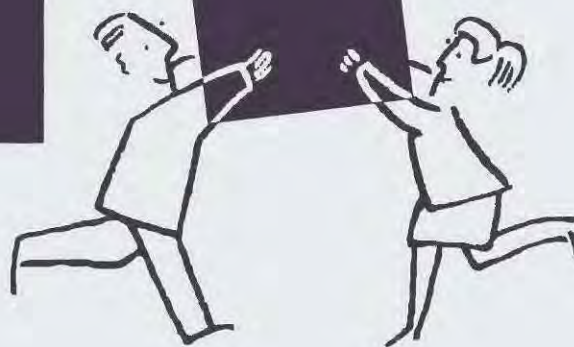
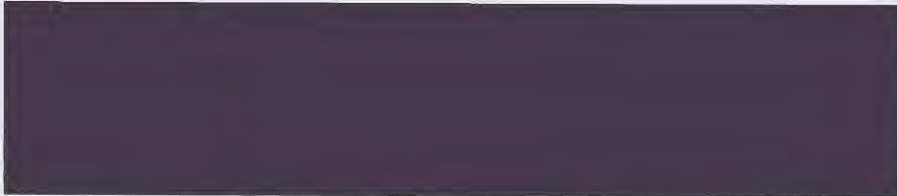
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# Mandates

Continued from page 2  
plan covers drugs that have not previously been on its formulary if a member's physician take mandated steps to seek coverage for the medication, Ms. Laudicina said.

North Carolina, Texas and Virginia in 1997 passed laws restricting generic substitutions.

Legislative action on drug plans comes in the wake of the 13.8% increase in prescription drug costs reported in William M. Mercer Inc.'s survey on 1998 health plan costs (BI, Jan. 25).

Another issue that will be widely discussed in state legislatures this year is health plan liability, with 28 states expected to debate that issue.

Last year, legislation enabling plan members to sue health maintenance organizations was defeated in all 30 state legislatures in which it was introduced, the association states in a report released earlier this month. The association report, "State Legislative Health Care and

Insurance Issues: 1998 Survey of Plans," said that many of the bills, patterned on a 1997 Texas statute, would have made health plans liable for harm caused by the failure to exercise ordinary care and for harm caused by the treatment decisions of their employees, agents and representatives. Currently, Texas is the only state that allows plan members to sue their health plans.

Proponents of such legislation could not convince enough lawmakers that allowing members to sue plans promotes health care quality, Ms. Laudicina said. In many cases, concerns also arose that such legislation conflicts with earlier tort reforms, she said.

Other managed care regulation bills expected on state agendas this year concern: external grievance review procedures, in 25 states; direct access to specialists, in 23 states; and uniform plan quality standards, in five states.

Benefit mandates expected to be discussed by state legislatures this year include mental health parity, in 25 states; less restrictive coverage for

emergency room services, in eight states; coverage for clinical trials and experimental treatments, in nine states; and coverage for all FDA-approved drugs, in eight states.

Though it's too early to tell what this year will bring, last year saw a slowing of major laws that affect private health insurance. "The sheer volume of health care legislation passed in 1998 was less than in 1997," Ms. Laudicina said.

"Body-part legislation," in particular, is out of favor, Ms. Laudicina said. For example, she said, mastectomy length-of-stay legislation passed in four states last year, compared with 14 states in 1997 and the passage of maternity length-of-stay legislation in 30 states in 1996.

One factor in the slowing of legislative efforts is education, Ms. Laudicina said.

"There's a greater awareness that these are complex issues," Ms. Laudicina said after the news conference.

Additionally, she said, it's difficult for states to know what their proper

role is and how that role can be played without raising costs or bringing the wrong incentives into the system, such as expanding liability for health plans and physicians.

For that reason, several states—including Colorado, Kentucky and Oklahoma—enacted laws requiring that benefit mandate proposals be independently evaluated for their financial and social impact before being acted upon by legislatures, Ms. Laudicina said.

State legislation passed last year included bills that created external review procedures for complaints from health plan members, provided direct access to specialists and imposed "one size fits all" quality and performance requirements on plans, Ms. Laudicina said.

Specifically:  
• Eight states mandated external review procedures for member complaints, with seven of them specifying that the state or a state-designated entity select the expert reviewers. In total, 22 states now have some type of external review law, according to the report.

• Nine states enacted legislation mandating direct access to certain specialists.

• Eleven states enacted quality standards for managed care organizations, with four states imposing uniform quality standards on different types of health plans.

Quality standard legislation designed to cover all health plans is problematic for preferred provider organizations, which are not designed to collect detailed data to measure performance and outcomes, Ms. Laudicina said. PPOs would need to become more like HMOs to comply, and that reduces choice in the marketplace, she said.

Other benefit mandate legislation passed last year included:

• Twelve more states enacted legislation on coverage of emergency room services. Most mandate the "prudent layperson" standard for determining whether emergency room care is warranted, thereby eliminating prior authorization requirements.

• Five states passed mental health parity legislation. **BI**

## Database helps return employees to work

NASHVILLE, Tenn.—Interlogics has released a Temporary Work Assignment database to help businesses minimize time lost on the job due to employee injuries or illnesses.

The database aims to help employers establish effective return-to-work programs. It simplifies the return-to-work process by providing employers with numerous temporary work assignments within the injured employee's physical limitations and medical restrictions, according to Interlogics.

The database contains more than 13,000 temporary work assignments, selected and modified from existing return-to-work programs. The database is accessed via the Internet to support day-of-injury intervention by the employer or insurer.

Its goal is to provide eight to 12 work options for each occupation and to accommodate immediate return to work following an injury or illness.

Each temporary work assignment

### Products & Services

is classified and can be searched with respect to 10 individual physical demands such as sitting, standing or walking. The assignment is further evaluated by the level of frequency of each demand—none, seldom or occasional, for example. The database is designed to accommodate even the most restrictive situations, such as a completely sedentary position with the use of only one arm.

All temporary work assignments can be customized when necessary to fit an individual work environment. This allows employers to build a customized disability management program with minimal effort and without expensive onsite consulting services, according to Interlogics.

For information, contact Interlogics at 615-292-3577 or on the Web at [www.interlogics.com](http://www.interlogics.com).

### Fraud investigation

AUSTIN, Texas—InfoGlide Corp.'s Fraud Investigator software now includes Medicaid fraud detection capabilities.

A nine-month benchmark investigation of Medicaid agencies in three states conducted by InfoGlide found that the conventional method of examining individual claims to detect Medicaid fraud is not effective. Rather than merely examining individual claims, Fraud Investigator aims to detect fraudulent providers by identifying patterns across large data samples that suggest fraudulent activity.

Fraud Investigator finds detailed similarities, across multiple databases, and can delve deep into the data, according to InfoGlide. The similarity search enables investigators to search data that is deliberately or inadvertently modified to elude computer search. Cross-database searching provides the ability to run a query against multiple databases, the company says.

For information, contact InfoGlide at 512-305-0250, or visit its Web site, [www.infoglide.com](http://www.infoglide.com).

### Online liability

NEW YORK—Reliance National, a unit of Reliance Group Holdings Inc., is offering InsureTRUST, a policy covering legal liability stemming from losses as a result of computer security breaches.

Developed in conjunction with Network Risk Management Services Inc. of Atlanta, InsureTRUST pro-

vides payment of defense costs, settlements, judgments and other legal expenses associated with covered computer network liability claims, according to Reliance. The policy applies to liability from computer security breaches made by employees or outside hackers.

As part of the underwriting process, NRMS analyzes clients' electronic business environments, evaluates computer network security systems, and reviews organizational and technical policies and procedures. Potential weaknesses are identified, and clients receive recommendations for improving security and reducing exposure to loss.

InsureTRUST is designed for corporations that use computer networks. The policy can be customized for banks, securities firms and other financial institutions, as well as for law firms, health care companies, accounting firms, online merchants, government agencies, municipalities, utilities, Internet service providers, Web publishers and companies providing computer network security services.

InsureTRUST is offered on a claims-made basis with limits of up to \$10 million and is underwritten by Reliance Insurance Co. of Illinois.

For information, contact Network Risk Management Services, 888-932-7475; or Greg Gamble, vp of Reliance National's excess and surplus division, 212-858-5924.

### Professional liability

PEORIA HEIGHTS, Ill.—John P. Pearl & Associates Ltd. has intro-

duced a new architects and engineers professional liability product.

Pearl & Associates and Westport Insurance Corp., a GE Capital Services company, have developed an insurance program for design professionals in private practice who perform services including architecture, construction management, landscape architecture, land surveying, interior design and engineering, according to a release.

The program offers limits of up to \$5 million and deductibles ranging from \$1,000 to more than \$100,000. Policy features include:

• First-dollar defense costs for expenses such as attorney fees. However, a deductible applies to actual damages.

• Full prior acts coverage. Firms that have been continuously insured for at least two years may be eligible for coverage dating back to the day the firm was established.

• Defendant reimbursement coverage. This plan pays up to \$250 a day per employee for lost earnings at a trial, hearing or arbitration proceeding involving a covered claim.

• Design/build coverage. Firms are automatically covered for professional services provided in a design/build situation, except those that involve faulty workmanship if the firm is also the builder.

• Contract review. Contracts will be reviewed to help firms understand, change or eliminate those provisions that may increase their liability exposures.

For information, contact Peggy King, manager of casualty program administration for John P. Pearl & Associates Ltd., 800-289-8170 or 309-688-9000, or visit the company's Web site, [www.pearlins.com](http://www.pearlins.com). **BI**

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# INTERNATIONAL

## Hiscox boosts terrorism capacity

### Global Briefs

Five agent/broker organizations representing 86 national associations have formed the **World Federation of Insurance Intermediaries**. The African Assn. of Insurance Brokers & Brokers Assns., the Confederación Panamericana de Productores de Seguros, the Council of Insurance Agents and Brokers, the Independent Insurance Agents of America and the Bureau International des Producteurs d'Assurances et de Reassurances launched the WFII to promote the role of intermediaries worldwide. The Insurance Brokers Assn. of Japan also has joined as an observer. WFII's chairman is Christopher M. Collins, co-chairman of the CIAB, though Brussels, Belgium-based BIPAR will manage WFII's daily operations. . . . London-based **Reliance National Insurance Co. (Europe) Ltd.**, part of U.S. insurer Reliance Group Holdings Inc., has opened an office in Barcelona, Spain. Antonio de Puig has been appointed branch manager of the office, Reliance National's second Spanish operation. It offers commercial property/casualty, financial, accident and health, and surety coverages. . . . RBC Insurance, a unit of Toronto-based Royal Bank of Canada, has been approved to set up a new reinsurance subsidiary, **RBC Reinsurance (Ireland) Ltd.**, in Dublin. A direct subsidiary of Netherlands-based RBC Finance B.V., the new operation will write property and casualty reinsurance and structured reinsurance programs for European insurers and reinsurers. . . . U.K.-based **Royal & Sun Alliance Insurance Group P.L.C.** intends to make a conditional public offer for the entire shareholding of Tyndall Australia Ltd., an Australian financial services group. The deal would take place through RSA's Australian unit, Royal & Sun Alliance Life Assurance Australia Ltd. RSA has made a cash offer of \$2.80 Australian (\$1.78) per share, valuing Tyndall at \$738 million Australian (\$468.9 million). RSA also announced it will sell its German direct-writing operation, **Sun Direct**, to Neckura Holding A.G., a unit of U.S. insurer Nationwide Insurance Group, for about 20 million deutsche marks (\$11.5 million). . . . Nigel Jenkins, managing director of Maritime Insurance Co. Ltd., has been named the first chairman of the marine technical and underwriting executive committee of the **International Underwriting Assn. of London**. . . . Johannesburg, South Africa-based financial services group **Forbes Group Ltd.** has increased its investment in Johannesburg-based captive insurer Guardrisk to 70% by taking over both broker Glenrand MIB's 9% interest and the 10% held by Co-Ordinated Network Investment. In addition, Forbes took over part of Guardian National Insurance Co. Ltd.'s stake, reducing Guardian National's stake to 30%. . . . **Alan Mayhew** has been appointed claims adjuster in the marine and energy adjusting group in the Lloyd's Claims Office at Lloyd's of London. . . . Lloyd's agency **Janson Green Ltd.**, part of **LIMIT P.L.C.**, has set up a joint venture with Associated Electric & Gas Insurance Services Ltd. in Houston to extend Janson Green's current Houston-based operation, Crescent Underwriting Services. The new organization, **AEGIS Janson Green Insurance Services**, will represent Janson Green's syndicate 79 as well as the new AEGIS energy syndicate 1225 and AEGIS' other insurance interests. . . . London-based **PXRE Managing Agency Ltd.**, the Lloyd's agency subsidiary of **PXRE Corp.**, has announced that Mike Walton, Alastair Rodger and Mitch Dowlen will be joining the company later this year. All three come from Amlin P.L.C., where they helped set up Lloyd's first captive syndicate, launched in January. . . . London-based **Lambert Fenchurch Ltd.** plans to reorganize its operating board and appoint several new members, including younger management, said Chairman Stewart Wilson. Because of Lambert Fenchurch's role as a Lloyd's broker, the appointments of Malcolm Godfrey and Tom Watson are subject to Lloyd's approval.

By **EDWIN UNSWORTH**

LONDON—Despite a slowdown in terrorist attacks in mainland Britain and resulting fall in terrorism insurance rates, the sector recently saw an unexpected rise in insurance capacity.

This month, Hiscox P.L.C. said it is boosting its capacity and increasing its 1999 limits for any one location to £115 million (\$193.5 million) from £100 million (\$168.3 million) previously.

Hiscox terrorism underwriter Philip Perry said in a statement that the 15% capacity increase will aid brokers by enabling them to "place large portfolios more easily and offer their clients more flexible cover."

The reduction in terrorist attacks largely has been attributed to last April's Northern Ireland peace agreement. However, Mr. Perry maintains that despite the agreement, "there is still terrorism exposure out there, both in the U.K. and abroad."

The U.K. government recently warned that, despite the Northern Ireland peace talks, the risk of terrorism remains because of the

fragility of the agreement and the Irish Republican Army's refusal to decommission its arms.

However, given a marked fall in U.K. terrorism rates this year, several coverage providers are seeking more business abroad. One of these is Wellington Underwriting Agencies Ltd., which has long been writing terrorism coverage.

Wellington recently started offering riot coverage in Indonesia in response to traditional insurers there removing riot risks from their policies because of local political turmoil. Wellington has long offered terrorism and riot coverage in a number of other countries, including Israel, Sri Lanka, Bahrain and Colombia.

Ben Garston, Wellington's senior underwriter, said Wellington continues to write a large book of U.K. terrorism coverage but now does so "in a very selective manner."

Most terrorism coverage in mainland Britain is provided by government-backed Pool Reinsurance Co. Ltd., which has reduced its rates by 85% for 1999 to reflect the sharp fall in claims.

Commenting on Hiscox's move, Lesley Lucas, Pool Re's chief exec-



A reduction in terrorist attacks, such as this February 1996 bombing in London's Docklands area, has prompted a sharp drop in rates.

utive, said it raises the question of whether the alternative terrorism insurance market wants to risk chasing rates down further by boosting capacity.

He said Pool Re already has enough capacity for U.K. terrorism, and so additional capacity has never been required. He added that Pool Re cannot be as competitive as

private insurers on pricing because it must provide coverage where it is wanted—usually in areas of greatest risk—while private insurers can select their risks and adjust their rates accordingly.

Hiscox said that it hopes to attract broker interest by offering a 20% commission rate. Pool Re usually pays a 2.5% commission. **BI**

## Ruling raises pension questions

By **CAROLYN ALDRED**

LONDON—An Appeal Court ruling that employers cannot use pension surpluses to fund corporate liabilities such as severance pay could cost the U.K. electricity industry hundreds of millions of pounds and make other employers review their pension programs.

National Grid Co. P.L.C. and National Power P.L.C. were not entitled to use part of £300 million (\$490 million) of pension fund surplus to meet their corporate liabilities under the terms of the Electricity Supply Pension Scheme, a defined benefit plan, the appeal court judges ruled Feb. 10 in a case brought by two pensioners. The ruling is limited to the electricity industry.

The ESPS has about 214,000 members and total funds of £18.7 billion (\$30.6 billion), according to a plan spokesman. Twenty-one companies throughout the U.K. electricity industry belong to the pension plan, and the ruling could have wide implications for the entire industry, he said.

The spokesman could not provide a figure for the fund's total surplus, but he did not dispute widely reported estimates of about

£1.5 billion (\$2.5 billion).

A further Appeal Court hearing on the technicalities of the case will decide how much money should be repaid to the pension fund. The electricity companies are unlikely to decide whether to appeal the decision to the House of Lords before the next hearing, the spokesman said.

A spokesman from the National Assn. of Pension Funds stressed that the ruling was "very much based on the technicalities of that particular scheme and should not be taken as a kind of test case for pensions generally." What it "does do is highlight the need for companies to cooperate very closely within the rules of their particular schemes," he said.

The ruling also increases the current uncertainty surrounding ownership of companies' pension fund surpluses, the NAPF spokesman said.

Nearly half the U.K. workforce, about 11 million employees, are members of occupational pension plans. Most of these are defined benefit plans, in which both an employer and its employees make contributions to a plan that guarantees an employee a level of pension based on the number of years the employee has been in the pension plan and

the employee's final salary.

In defined benefit plans—also known as final salary plans—the "employer often contributes more (than the employee) and carries all the risk, in that if the investments fall below the level required to meet the fund's commitments, the employer has to make good on the fund," said the NAPF spokesman.

If there is a surplus in the fund, "it has always been assumed that the surpluses belong to the company," he said.

"This case highlights the need for a clear guidance on the issue," he said, adding that pension legislation has failed to resolve the issue.

"A lot of clarification is still needed, and we will be taking soundings from our members on this issue," he said.

In recent years, many companies have switched their occupational pension plans from defined benefit plans to money purchase plans, which make no guarantees about final pension provisions.

This ruling may encourage companies to consider changing their pension plans to money purchase schemes, the NAPF spokesman said.

## Woolf's approach no time to be sheepish

### U.K. litigation reforms may catch risk managers unprepared, attorneys warn

By **CAROLYN ALDRED**

LONDON—New litigation reforms about to come into force will hit U.K. risk managers and insurers hard if they are unprepared, lawyers and consultants warn.

The new litigation rules, published Jan. 29, are known as the Woolf Reforms. They are designed to speed up litigation, making the legal system cheaper and more accessible for claimants.

To make matters worse for risk managers, observers believe that hundreds of claims are being stacked up by plaintiff lawyers to be filed in court after the new rules take effect on April 26.

Risk managers—and their insurers—who are not ready to meet the new court deadlines and proce-

dures will be "dead in the water," agreed speakers at a recent conference on the Woolf Reforms, hosted by Willis Corroon P.L.C.

"Anyone not prepared for the changes is going to get a very rude and costly shock," conference Chairman Terry Pey warned dozens of risk managers attending the meeting.

Before, there was no set time limit for issuing proceedings. Under the new regulations, defendants will have 21 days to respond to personal injury claims and 90 days to decide any defense. "That is scary," said Mr. Pey, a principal at Willis Risk Solutions.

"You are all going to be involved in litigation in a way you have never been before. You will be answerable to the courts, and you will re-

ally have to understand what's happening," Paul Coppin, an Ipswich lawyer with the law firm Eversheds, warned risk managers.

"Things are heavily stacked against you in a way they haven't been before," added Brendan Padfield, a partner at Eversheds.

"There are difficult times ahead, and you have to ensure that your claims teams are adequately resourced," he advised.

However, most of the speakers doubted whether anyone was adequately prepared for the impact of the reforms, the legal profession and the courts included.

The reforms are going ahead despite little additional money for the courts, a new court computer system unlikely to be ready for at least a year, and only three months' no-

tice between publication of the rules and the proposed implementation date, Mr. Padfield noted.

For companies that do "get it right, the Woolf Reforms will probably be beneficial, but those who get it wrong will face higher legal costs and damages," warned Paul Townsend, a divisional director of London-based GAB Robins.

Risk managers should tighten their claims-handling procedures and make sure their brokers and insurers are well prepared, he said, pointing out that "many insurers are not prepared and have a great deal of work to do."

And there will be little time to adjust to the new legal environment, as several speakers predicted a huge influx of claims after the See Woolf on next page

**INTERNATIONAL**

**Woolf**

*Continued from previous page*  
new regulations take effect.

"I have spoken to three insurers who report their claim levels down by 25% to 30%. Claims are being stock-piled (by plaintiff lawyers), ready to be submitted in May," said Mr. Townsend. He predicted the number of claims filed in May be at least 50% over the number from last May.

Under the new system, claims will be divided into two groups. Those claiming damages of less than £15,000 (\$24,623) will fall into the "fast track," while those that are valued at more than £15,000 are too complex will fall into the "multitrack" procedure. Meanwhile, courts will attempt to

push more cases into arbitration, said Eversheds' Mr. Padfield.

Under the fast-track procedure, there will be a very strict timetable; limited procedural steps; limited discovery; no oral evidence from experts, and a trial fixed within 20 to 30 days of the claim being filed in court. The trials are unlikely to take more than three hours and, at most, would last a day, Mr. Padfield explained.

Under the multitrack system, trial dates will be fixed early and pretrial meetings will be held after the filing of a defense. Risk managers and insurers may have to attend these meetings. In addition, pretrial reviews of cases will be held by the trial judges.

The major change for risk managers will be the new pre-action protocol for personal injury cases, said Mr.

Padfield. This states that any claim letter must provide a summary of the facts, the injuries involved and an estimate of financial loss.

This is good news for risk managers and their insurers, Mr. Padfield said. The letter should provide enough information "to enable the defendant's insurer to commence investigations and, at least, put a broad valuation on the risk." The bad news is that the defendant must reply within 21 days. If the claim is denied, the defendant then has three months to support the denial and provide the claimant with all relevant documents.

Parties have just 14 days to object to any of the experts chosen and will not be permitted to bring in additional experts later. Also, the defendant will not be allowed access to the plaintiff's

medical records.

Both the claim and defense must be signed as statements of truth.

The risk manager must decide who is going to sign his company's statement of truth, bearing in mind that anything found to be false could result in a contempt-of-court charge, the penalties of which include imprisonment, warned Eversheds' Mr. Coppin.

Someone also should be appointed to collect all information and documentation that is material to the case, and this person will have to sign the disclosure statement, he noted.

Mr. Townsend agreed that the retention and collection of documentation was vital to the ability of risk management departments to respond to claims in the time allowed under the new regime.

"One person must be given authority to get documents from all departments in a company, and the company needs a policy of retention of all documents," he said. Further, fast communication, by telephone or e-mail, with the broker and insurer is vital in the event of a claim, he noted.

Risk managers must "make sure that (their) claims handlers can cope with the tighter deadlines," added Warren Dann, a consultant with Willis Risk Solutions.

Mr. Padfield advised risk managers to be sure they have good witness statements and discovery documentation. "Good documentation and good witness statements win cases cheaply," he said. "Too many cases arrive on my desk that are not up to the job. That is costing you money." **EI**

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CEO's, Presidents, and Owners, .....5,007  
Vice Presidents, General Managers and Other Administrative Personnel .....5,346

**Financial:**  
Chief Financial Officers and Vice Presidents of Finance .....4,872  
Secretaries, Treasurers, controllers and other Financial Personnel .....3,927

**Risk/Employee Benefits:**  
Vice Presidents, Directors, Managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations .....13,774

**Sub-total** ..... **32,926**  
Associations .....259  
Government, Unions and Educational Institutions .....331

**Commercial Consumers**  
**Sub-total** ..... **34,116**  
Insurance Agents and Brokers .....7,735  
Insurance Companies .....6,668  
Accountants, Actuaries, Attorneys & Consultants .....2,520  
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers .....1,437  
Others Allied to the Field .....759  
**Total Qualified** ..... **53,235**  
Non-qualified/Paid Subscriptions .....17  
Single Copy Sales .....3

**TOTAL CIRCULATION** ..... **53,255**

★ Source Business/Occupational breakdown of qualified circulation,3 May 25, 1998 Issue, as submitted to BPA for June 1998 BPA Publisher's Statement

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# Lloyd's

*Continued from page 3*  
membership fees will fall next year to 0.25% of capacity.

More radical are proposals to change the compliance requirements demanded of market participants. The LMB will support efforts by the Lloyd's Regulatory Board to reduce the cost and complexity of Lloyd's regulations, states the report.

LRB issued its 1999 plan earlier this year, outlining proposed changes, including a two-tier structure of regulation depending on whether agencies are owned by their capacity providers. The LMB proposes to restructure the risk-based capital system—in which more capacity is provided to syndicates that underwrite riskier business—to “cope with a largely (integrated Lloyd's vehicle) market,” states the LMB report.

Nevertheless, the report disagrees with the view of stock analysts and others that Lloyd's will evolve into a bourse of fewer but larger businesses. “We foresee at least 50 underwriting businesses operating within Lloyd's and possibly a considerably larger number,” the report says. At the beginning of this year, Lloyd's had 139 syndicates and about 5,000 corporate and individual investors.

As the number of corporate ILVs grows, the cost of transacting business in the market will decrease, according to the report. In addition, Lloyd's may change its three-year accounting system to annual accounting, though the market hopes to maintain its diverse capital base, the LMB said.

At the same time, the LMB predicts that continuing consolidation within

syndicates and agencies—already well under way—will reduce market costs. Consolidation and changing market practices could prompt Lloyd's to restructure its physical underwriting environment, states the report.

“This is probably stretching beyond the three-year period (of the report),” said Mr. Duguid, but the LMB is looking at a number of questions, including the basis of Lloyd's trading in the next century—whether it continues as a face-to-face market or converts to electronic trading, and whether the businesses operating as Lloyd's participants would prefer to operate from a trading floor or from offices that can give them more privacy, he said.

Brokers may prefer to have the London market concentrated under one roof, said Mr. Duguid, and Lloyd's will be discussing this issue with the International Underwriting Assn. of London to get “a collective view of what we need in the future” to suit the clients and brokers, he said.

Brokers also figure highly in the second area of “Priorities for Growth”: supporting profitable growth.

The document makes it clear that Lloyd's wishes to overturn “divestment,” a provision of the Lloyd's Act 1982 that bars brokers from directly owning agencies. That won't happen soon, said Mr. Duguid, because of the time and complexity required to change the Lloyd's Act, but Lloyd's would like to see divestment removed.

Other parts of the Act, such as agency law underpinning Lloyd's relationships or the status of Lloyd's brokers, could be changed at the same time, said Mr. Duguid, but he said the

market does not want to see the Act entirely revoked. “The Act is an important basis for our franchise,” he said.

Outside the Act but governed by Lloyd's internal regulations is the requirement that Lloyd's brokers be physically located near the market. The LMB document proposes giving access to brokers farther afield, including overseas.

By increasing broker access to the market, Lloyd's would make it easier for overseas buyers to place business there.

“We intend to reach agreement with Lloyd's brokers that access to Lloyd's should be expanded,” states the document. As the new General Insurance Standards Council, which is expected to regulate U.K. brokers, takes shape, “we expect to agree to arrangements for suitable levels of access for all those brokers regulated by it. We also expect to agree to extend access to overseas brokers who are properly regulated and meet Lloyd's standards.”

While Lloyd's is moving to provide alternative risk transfer mechanisms, such as captives, the market also hopes to increase its range of business by broadening broker access. In return, Lloyd's will improve its payment and processing systems, agreeing to service standards for policy issuing and claims handling, Mr. Duguid said.

“I am totally committed to restoring growth to the Lloyd's market,” Lloyd's Chairman Max Taylor said at the launch of the document. “We shall achieve growth through the expansion of the businesses that are already here and by welcoming many new companies to Lloyd's as the natural home for talent and innovation.” **BI**

# Lloyd's forecast dim

## Moody's says losses likely in 1999

By EDWIN UNSWORTH

LONDON—Moody's Investors Service has joined the ranks of those asserting that Lloyd's of London could suffer losses for 1998 and 1999.

The forecast came last week in Moody's annual winter analysis, which said that, as a result of “ever-worsening loss ratios,” slightly more than one-third of Lloyd's syndicates could suffer losses for these years.

In the report, Moody's has further reduced its Lloyd's profit forecasts for every open year, beginning with 1996, which will soon be finalized under Lloyd's three-year accounting system.

While it anticipates Lloyd's 1996 profit will be a “respectable” 7.3% of capacity, down from 12.1% in 1995, Moody's forecasts further deterioration for each successive year. For 1997, it forecasts a profit of 2.7%, slipping to a marginal profit of 0.6% for 1998.

Moody's cautions, however, that “given the early stage in the account's development, there is potential for further adverse deterioration in loss ratios, which would send (1998) sliding into the red.” Moody's forecasts a 1999 loss of 0.2% of capacity, whereas three months ago it was forecasting a 1.4% profit for 1999.

Mark Hewlett, managing director of Moody's European property & casualty and reinsurance division, said the forecasts of reduced profits result from deteriorating market conditions and worsening loss ratios being reported by syndicates. He said Moody's expects 35% and 34% of syndicates to experience losses for 1998 and 1999,

respectively.

Syndicate analyst Chatset Ltd. already has forecast in its “Lloyd's League Tables Review, January 1999” a profit for 1998 of only £11 million (\$18.5 million). Furthermore, Chatset has predicted a loss for the year after members' agents charges and the central fund levy are taken into account (*BI*, Jan. 18).

Earlier this year, members agency Sedgwick Oakwood Lloyd's Underwriting Agents Ltd. forecast that Lloyd's is likely to suffer a pure underwriting loss for 1998, although that may be offset by investment income (*BI*, Jan. 4).

Moody's Mr. Hewlett said market conditions are “extremely competitive” and deteriorating most strongly in the auto and aviation accounts. Auto business is forecast to produce losses in all of the open years; the worst loss—at 10.9% of capacity—is anticipated for 1997. A 7.0% loss is anticipated for 1999.

Lloyd's aviation account should show a 4.7% profit for 1996. Thereafter, however, it is predicted to slip into the red. Moody's forecasts aviation losses of 0.7% for 1997, 2.5% for 1998, and 2.2% for 1999.

Moody's says marine and non-marine business will experience deteriorating results in all open years but continue to produce a profit. In the marine sector, the profit is forecast at 13.8% of capacity for 1996, slipping to 2.6% for 1999. In the non-marine sector, profitability will be 5.9% for 1996, weakening steadily to a marginal 0.1% profit for 1999. **BI**

## FTR FOR THE RECORD

### Concern over RightCHOICE plan

ST. LOUIS—A possible monkey wrench was thrown into a proposed settlement agreement between Blue Cross & Blue Shield of Missouri and state officials earlier this month over the creation of the health organization's for-profit subsidiary.

A special master appointed by the Circuit Court of Cole County in Missouri issued a 54-page report suggesting the court withhold a ruling on the agreement until certain concerns are addressed.

A dispute involving Blue Cross & Blue Shield of Missouri, its for-profit subsidiary, called RightCHOICE ManagedCare Inc., the Missouri Insurance Department and the state attorney general led to a Sept. 15 agreement that requires court approval (*BI*, Aug. 10, 1998; April 27, 1998).

The agreement calls for Blue Cross & Blue Shield of Missouri to reorganize and be merged with RightCHOICE Managed Care, and for the creation of a health care foundation that would be capitalized with 80% of RightCHOICE's stock. RightCHOICE is the state's largest provider of managed health care services.

The court-appointed special master said that among his “serious concerns” was whether the public health foundation would receive the full value of the Blue Cross organization's present assets. The parties have 30 days to file a response to the report.

Blue Cross said it was considering its options. An Insurance Department spokesman said the department still is looking forward to a final agreement that will make funding available for public health services.

Separately, RightCHOICE's board has promoted Executive Vp Sandra Van Trease to the position of senior executive vp, chief operating officer and chief financial officer.

In addition, Angela Fick Braly, who had been RightCHOICE's interim general counsel, has been appointed executive vp, general counsel and corporate secretary.

### PacifiCare Web sites offer health info

SANTA ANA, Calif.—PacifiCare Health Systems said its two World Wide Web sites are providing its members with information on thousands of topics, including medications, diagnosed conditions, medical tests, treatments, self-care options and advice on when to see a physician, under a new program called Taking Charge of Your Health.

The sites are [www.pacificare.com](http://www.pacificare.com) and [www.securehorizons.com](http://www.securehorizons.com). PacifiCare also plans to offer access to the Web sites at doctors' offices and work sites for both members and non-members.

Information for the program is provided by Boise, Idaho-

based Healthwise Inc., a national non-profit health promotion and consumer health information company.

Dr. Sam Ho, Pacificare vp and corporate medical director, said in a statement, “Oftentimes, doctors feel frustrated when patients access questionable information from the Internet and bring it into their office.”

“With this program,” he said in the statement, “both the patient and doctor have access to credible information from a reliable source and are literally working off the same page. That common ground can facilitate better doctor-patient communication and, therefore, result in better health care.”

### UNUM offers 100% accelerated benefit

PORTLAND, Maine—UNUM Life Insurance Co. of America has introduced a 100% accelerated benefit option on its group life policies.

This option allows a terminally ill person expected to live 12 months or less to collect in advance his or her entire life insurance benefit, up to \$250,000, without any fees or special charges. The policyholder can choose to take less than 100% of the life insurance benefit in advance, with the remainder of the benefit going to survivors at the time of death.

UNUM also offers a 50% accelerated benefit up to \$750,000 and 75% up to \$500,000. The accelerated benefit options do not affect premiums.

More employers are becoming interested in offering employees accelerated death benefits because viatical settlement companies have “heightened consciousness of the needs of individuals told by their physicians that they have a shortened life expectancy,” said Dale Denno, vp-life product development for the Portland, Maine-based insurer.

A viatical settlement company pays a terminally ill person a portion of his or her expected life insurance proceeds in advance. In exchange, the policyholder signs the policy over to the settlement company.

UNUM also offers those opting for accelerated death benefits its survivor support benefit, a comprehensive financial planning and counseling service.

### Company wins \$6.3 million from jury

LANCASTER, Calif.—A jury has awarded Lance Camper Manufacturing Corp. \$6.3 million in a decision against its workers compensation insurer, Republic Indemnity Co. of America.

In its lawsuit, Lancaster, Calif.-based Lance Camper con-

tended Republic engaged in a pattern of overreserving claims that denied the plaintiff dividends and resulted in increased premiums.

The defendant argued that it handled Lance Camper's files appropriately, that it did not overreserve, and that the reserves set were justified. But the Los Angeles County Superior Court jury on Jan. 26 awarded the plaintiff \$1.7 million in compensatory damages and three days later awarded \$4.6 million in punitive damages.

The case has been closely followed by workers comp observers, and at one point Insurance Commissioner Chuck Quackenbush asked the courts to grant him jurisdiction over such reserving disputes (*BI*, Feb. 12, 1996). The jury award follows an appellate court ruling that trial court is an appropriate venue for bad-faith claims.

### Comings & Goings: Industry

Terry L. Kendall has been appointed president of CIGNA International Employee Benefits & Life Insurance, the global benefits division of Philadelphia-based CIGNA Corp. Prior to joining CIGNA in May 1998, Mr. Kendall was president and chief executive officer of Golden American Life Insurance Co. of Wilmington, Del. Also at CIGNA Corp., Arthur Lifson has been promoted to replace the retiring A.J. Harris as head of the company's federal affairs office in Washington. Carole O. Gates has been promoted to head CIGNA's state government affairs activities. . . . At Schaumburg, Ill.-based Zurich U.S., Pierre Laurin has been appointed senior vp and director of reinsurance. He succeeds Bob Stevenson, who has taken the position of chief group reinsurance officer for Zurich Financial Services Group's home office operations in Zurich, Switzerland. Mr. Laurin had been field underwriter for Zurich U.S.'s international accounts unit and chief corporate actuary for Zurich Financial Services Group. At Zurich Kemper Life of Long Grove, Ill., another member of Zurich Financial Services Group, Greg Smith has been named senior vp and head of retail distribution for the company's financial strategic business unit. Mr. Smith, who previously was vp and director of sales for Glenbrook Life & Annuity Co. of Northbrook, Ill., will be responsible for the distribution of life insurance and annuity products through banks, brokerage firms and independent financial planners. . . . Tom Goddard has been appointed chief operating officer and general counsel for the Washington-based American Accreditation HealthCare Commission/URAC. Mr. Goddard will supervise URAC's internal functions and coordinate its various operations in this newly created position.





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# XL

Continued from page 1

share. Based on XL's Feb. 12 closing stock price of \$60.50 and a diluted total of 20.8 million NAC Re shares, this would set the price of NAC Re shares at \$55.36 and the transaction overall at \$1.2 billion.

The deal also calls for XL to assume all of NAC Re's outstanding debt, currently about \$300 million.

The merger, which requires NAC Re shareholder and regulatory approvals and antitrust clearance, is expected to close by early in the third quarter of this year.

Ronald L. Bornhuetter, NAC Re's current chairman, will relinquish that post to become a member of XL Capital's board of directors on completion of the merger, the companies announced.

Nicholas M. Brown Jr., now president and chief executive officer of NAC Re, will take on the additional title of chairman and will become president and CEO of

XL America Inc. and executive vp of XL Capital with responsibility for North American operations.

NAC Re will retain its name, the companies said.

The acquisition, XL executives say, will jump-start XL's expansion in the U.S. marketplace; that expansion has moved slowly, with acquisitions such as the shell company Folksamerica General Insurance Co.

## The NAC Re acquisition, XL executives say, will jump-start XL's expansion in the U.S. marketplace.

NAC Re will also allow XL to diversify its mix of reinsurance business, which includes little casualty reinsurance—one of NAC Re's strengths—and is heavily weighted to the property catastrophe business written through XL Mid Ocean Reinsurance Ltd., said Brian M. O'Hara, president and CEO of XL Capital.

"To lessen volatility, we wanted more long-tail liability business," he said.

NAC Re is also a large facultative reinsurance underwriter; that will aid XL in developing the integrated risk and enterprise risk products it sells directly to policyholders, Mr. O'Hara said.

XL announced last week that it has formed a new unit, XL Structured Enterprise Risk, which will develop programs that combine insurance and reinsurance, risk financing and elements of financial guaranty coverage for corporate clients. The unit will be headed by Clive Tobin, who previously headed the company's XL Capital Products operation.

To write non-catastrophe reinsurance in the United States, XL also needed an onshore presence because of the increased demand for services by ceding insurer clients, observed Henry Keeling, president and CEO of XL Mid Ocean.

"You have to be able to do underwriting audits and claims audits, and in order to do that you have to be close to your clients," Mr. Keeling said.

Meanwhile, the financial backing of XL Capital—with \$4.8 billion in shareholders equity vs. NAC Re's \$750.7 million—will allow NAC Re to offer higher limits

and retain more business than it has historically, said Mr. O'Hara.

NAC Re, he noted, now spends more than \$80 million a year buying retrocessional protection, a figure that would presumably drop after the merger.

The merger also will enhance XL's London operations: XL owns Lloyd's of London managing agency The Brockbank Group P.L.C., which writes mainly non-liability business, while NAC Re owns Denham Syndicate Management Ltd., which writes mainly liability.

"NAC Re has a substantial operation in London, and we did not have any international casualty capability," Mr. Keeling said.

Industry analysts have generally applauded the deal.

NAC Re gives XL a U.S. reinsurance underwriting platform and will allow it to expand primary insurance underwriting through NAC Re units Greenwich Insurance Co. and Indian Harbor Insurance Co., a surplus lines insurer, observed Fred Loeloff, an associate director at Standard & Poor's Corp. in New York.

The deal also benefits NAC Re by strengthening its balance sheet, increasing its capacity and opening up cross-selling opportunities through, for example, its new affiliation with XL Mid Ocean, he said.

"What it all comes down to is both companies are conservative in their underwriting, they have consistent earnings performance, and what you have here is a good strategic fit," Mr. Loeloff said.

Moody's Investors Service analysts noted the same strengths while cautioning that the benefits of the merger "are unlikely to be achieved immediately and that stiff competition in the international reinsurance marketplace may constrain the combined companies' near-term expansion opportunities."

Mr. O'Hara said the deal is a good one despite the soft market.

"The market will change," he said. "And, if it is done right, even in bad times casualty reinsurance can be profitable."

Michael A. Smith, an analyst with Bear, Stearns & Co. in New York, noted that XL has wanted to become a bigger player in the standard reinsurance market for some time and that "there's really only one way to get in there, and that's to buy your way in."

XL has landed one of a shrinking number of merger partners that is big enough and has enough franchise value to be attractive, he suggested.

The deal also is the latest evidence of a trend that has seen reinsurers swallowed up by larger companies that can support the kind of volatile and large-capacity products that buyers are increasingly demanding, Mr. Smith said.

"What you are seeing here is the continuing evolution of a reinsurance market that is characterized by demand for capacity and demand to take on more (of cedents') earnings volatility," he said. "So American Re, General Re and now NAC Re have had to dive into the depths of a much bigger partner, where that volatility will be much less visible."

American Re Corp. was acquired by Munich Reinsurance Co. in 1996; General Re Corp. was acquired by Berkshire Hathaway Inc. last year (BI, June 22, 1998; Aug. 19, 1996).

Because of this shift in the market, stand-alone reinsurance companies "are no longer viable publicly traded entities," Mr. Smith said.

### UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

**IN RE:**  
Petition of Gareth Howard Hughes, Nigel James Hamilton and Jacqueline Barbara Stephenson, as Joint Provisional Liquidators of Municipal General Insurance, Limited Debtor in Foreign Proceedings

CASE NO. 94-B-41329 (CB)

#### PRELIMINARY INJUNCTION ORDER

This matter has come before the Court on the above Petitioners' request for a Preliminary Injunction Order pursuant to Bankruptcy Rule 7065 and Federal Rule of Civil Procedure 65(b). The Court (a) has considered and reviewed the Petition filed in this case, the Affidavit of Ronald DeKoven, Petitioners former counsel, the Declaration of Gabriel Moss, Q.C., the Declaration of Gareth Howard Hughes, the Affidavits of Jacqueline Barbara Stephenson, one of the Petitioners herein, and the Memorandum of Law in support of the application, and any responses filed thereto, and (b) the Court has further considered and reviewed the Limited Objection of Michigan Municipal Risk Management Authority to Continuation of Preliminary Injunction Order dated November 17, 1996, the Supplement to Limited Objection of Michigan Municipal Risk Management Authority to Continuation of Preliminary Injunction Order dated January 30, 1996, the Objection of Michigan Municipal Risk Management Authority to Continuation of Preliminary Injunction Order dated January 13, 1999, and all other pleadings or other materials filed or submitted in this case; and the Court has held hearings and heard arguments by counsel on the 29th day of March, 1994, the 27th day of July, 1994, the 8th day of December, 1994, the 11th day of April, 1995, the 31st day of January, 1996, the 31st day of January, 1997, the 30th day of January, 1998, and the 29th day of January, 1999, and based on the foregoing, the Court finds and concludes as follows:

1. Petitioners have demonstrated a substantial likelihood of success or have raised serious questions on the merits of the contentions that: (a) Municipal General Insurance Limited ("MGI") is subject to "foreign proceedings" within the meaning of Sections 101(23) and 304(a) of the United States Bankruptcy Code (the "Bankruptcy Code"), 11 U.S.C. §§ 101 et seq.; (b) Petitioners are the "foreign representatives" of MGI within the meaning of Sections 101(24) and 304(a) of the Bankruptcy Code; (c) (i) the commencement or continuation of any judicial, administrative or regulatory action or proceeding against MGI, any of its property in the United States, or any proceeds thereof, (ii) the enforcement of any judicial, administrative or regulatory judgment, assessment or order, and the commencement or continuation of any judicial, administrative or regulatory action or proceedings, to create, perfect or enforce any lien, set-off or other claim against MGI, any of its property in the United States, or any proceeds thereof, and (iii) the drawing down of any letters of credit established by MGI in excess of what is expressly authorized by the terms of the contracts and any related trust or other agreements pursuant to which such letters of credit have been established, should be enjoined pursuant to Section 304(b) of the Bankruptcy Code to permit the expeditious and economical administration of the foreign estate in the pending proceedings brought under foreign law (except as otherwise expressly provided in the decretory paragraphs of this Order); and (d) the relief provided herein will not cause hardships to parties that are not outweighed by the benefits.

2. Unless an injunction is issued, it appears to this Court that one or more parties in interest will transfer, relinquish or dispose of assets of MGI in the United States, or proceeds thereof, commence or continue the prosecution of judicial, administrative or regulatory actions against MGI, its assets, or proceeds thereof, or draw upon letters of credit established by MGI in excess of the amount to which such parties are contractually entitled, thereby interfering with, and causing harm to, the Petitioners' efforts to administer the MGI estate pursuant to the foreign proceedings, and that, as a result, the Petitioners will suffer immediate and irreparable injury for which they will have no adequate remedy at law (except that the authority granted by this Court to continue certain litigation only as set forth in the decretory paragraphs below will not cause such harm).

3. Unless the injunction (to the extent provided below) is issued, Petitioners will be unable to acquire sufficient information about pending and potential litigations against, and U.S. assets of, MGI to properly protect the interests of MGI in the United States, resulting in the further depletion of MGI's limited assets.

4. The interest of the public will be served by this Court's grant of the relief provided herein.

5. Venue is proper in this district pursuant to 28 U.S.C. § 1410.

#### NOW, THEREFORE, IT IS:

**ORDERED** that all persons (except as provided in the New York Superintendent Order) are hereby enjoined and restrained from:

- (1) transferring, relinquishing or disposing of any property of MGI in the United States, or any proceeds thereof, to any persons or entities other than Petitioners;
- (2) commencing or continuing any judicial, administrative or regulatory action or proceeding against MGI, any of its property in the United States, or any proceeds thereof;
- (3) enforcing any judicial, administrative or regulatory judgment, assessment or order, or commencing or continuing any act or any judicial, administrative or regulatory action or proceeding, to create, perfect or enforce any lien, set-off or other claim, against MGI, any of its property in the United States, or any proceeds thereof; and
- (4) drawing down any letters of credit established by MGI in excess of what is expressly authorized by the terms of the contracts and any related trust or other agreements pursuant to which such letters of credit have been established; and it is further

**ORDERED** that nothing in the Preliminary Injunction Order shall in any respect prevent the continuance or commencement of proceedings against or involving other London Market insurers or any other insurance company defendant; and it is further

**ORDERED** that, pursuant to Bankruptcy Rule 7065, the security provisions of Fed.R.Civ.P. 65(c) be, and the same hereby are, waived; and it is further

**ORDERED** that, notwithstanding any other term of this Order, the action entitled Michigan Municipal Risk Management Authority v. Municipal General Insurance Company, Wayne County Circuit Court Case No. 94-400330-CK, is permitted to proceed, but this provision shall not be construed to permit enforcement of any judgment obtained by Michigan Municipal Risk Management Authority ("MMRMA") in the immediately above-referenced Michigan action against MGI or any of MGI's property located in the United States; and it is further

**ORDERED** that this Order shall be served (A) by hand delivery or U.S. mail, first class postage prepaid, on or before February 10, 1999 upon the parties in interest appearing in this case (or their counsel, where known); (B) by publication of a summary of this Order in Business Insurance Magazine on or before March 22, 1999; and that service pursuant to this paragraph shall be deemed good and sufficient service and adequate notice; and it is further

**ORDERED** that the time to answer or move with respect to the Petition is extended sine die, but that parties wishing to move for modification of or relief from this Preliminary Injunction Order or otherwise may do so in accordance with the schedule set forth by the Court herein and in any subsequent Scheduling Order entered by the Court in this case; provided, however, that, notwithstanding any other provision of this Order, MMRMA shall have the right to a hearing on a motion to this Court for modification of or relief from this Preliminary Injunction Order on ten (10) days' notice to the MGI attorney specified in the last decretory paragraph hereof; and it is further

**ORDERED** that this injunction shall remain in effect pending further order of the Court after a hearing to consider whether the injunction shall be continued, which hearing is scheduled to be held in Room 601 of the Alexander Hamilton Custom House, One Bowling Green, New York, New York on January 28, 2000 at 2:00 p.m.; and it is further

**ORDERED** that all papers submitted for the purpose of controverting the Petition or opposing continuation of the relief provided for in this Preliminary Injunction Order shall be filed with the Court with a copy to Chambers and delivered by overnight mail or so as to be received by Peabody & Arnold, 50 Rowes Wharf, Boston, MA 02110 (attention: Deborah S. Griffin or Randolph L. Smith), Attorneys for Petitioners, on or before January 13, 2000 at 5:00 p.m.

Dated: New York, New York  
January 29, 1999

Carmelius Blackshear  
United States Bankruptcy Judge

'Petitioners' request for relief, and the terms of this Order, are subject to the provisions of any temporary restraining order or order of conservation obtained by the New York Superintendent of Insurance (the "New York Superintendent Order").

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## Commentary

# Talented, charming friend will be missed

The people of Bermuda have lost a promising parliamentarian, the commercial insurance business has lost a dynamic professional, and I have lost a friend.

Madeline Joell died Feb. 14 of a brain aneurysm, which struck quickly and before anyone could help her. This bright, athletic, talented, charming and very beautiful woman was only 39.

Madeline was elected to Parliament in Bermuda last November, running for the United Bermuda Party. She told me that she thought the UBP promoted the best policies for Bermuda. And she threw herself into politics in order to give something back to Bermuda, which she said had given her so much.

When she won her seat, her party lost. I sent her an e-mail congratulating her on her election victory and sending condolences for her party's loss, asking her if she was ready for the role of a backbencher. Her response thanked me for the congratulations on gaining her seat. As for the loss by the UBP, she wrote, "It's a blessing in disguise."

I e-mailed back that perhaps she would elaborate on her blessing-in-disguise the next time we saw each other.

I first met Madeline in the 1980s, when she was brokering high-excess liability insurance policies to ACE and X.L. for Frank B. Hall Intermediaries. She was a wary source at first, but she warmed to interviews in which she could extol the virtues of the Bermuda marketplace. And once I put the notebook away, her winning smile flashed and we connected as friends.

I was struck by Madeleine's personal warmth, her self-confidence and poise, her passion for life, and her stunning physical beauty. When I learned sometime later that she had been Miss Bermuda, I was not surprised.

While Madeline was not unaware of her good looks, she saw herself first and foremost as an insurance professional who did the best she could for her clients and for Bermuda's insurance business. After also brokering for Rollins Burdick Hunter and, later, Aon's Bermuda unit, Madeline moved into a natural spot in marketing for ACE, where she became a vp.

Madeline understood the business and the risk managers and brokers who visited Bermuda. She marketed ACE with a passion, and anyone who met Madeline never forgot her. Seeing Madeline work a booth at RIMS in the United States or at the international risk management meeting in Monte Carlo was a sight to behold. Her knowledge of the business, her ability to connect and that smile were a winning combination.

As intellectually talented as she was, Madeline enjoyed a good time and wasn't afraid to show the world her less-serious side. Two years ago, at the Bermuda Insurance Symposium, she organized a trio to accompany a band of insurance professionals playing rock 'n' roll, to the delight of the conferees during the gala dinner.

Madeline also transported all that talent and personality to the golf course, where she could hit a ball farther than most of the guys she entertained. And she made it look so easy. Even though she was a scratch golfer and had won many a club trophy, she could make the most pathetic duffer feel comfortable playing golf with her. Her trademark line when playing with a beginner who had just muffed a shot: "That's a do-over."

I met Madeline through business, but once the pen and paper were put away, we became friends. There weren't many women traveling in insurance circles in Bermuda when we met, giving us an immediate rapport. After that initial mutual affinity, we simply bonded.

I watched Madeline over the years serve as an ambassador for Bermuda and for her employer, be it Hall or ACE, with grace, charm and dignity. I was so looking forward to watching Madeline grow in her new role in Bermuda's Parliament and to seeing how she could bring her many talents to Bermuda's government.

I'm still coming to grips with the fact that Madeline's voice won't be heard in Parliament in Bermuda ever again, that clients of ACE won't be sold by her convincing sales pitch, and that I will hear only the echo of "Go, girl!" after hitting a moderately decent tee shot.

Madeline, you were unique. I, and so many others who cherished your company at work and at play, will miss you very much.

*Publisher and Editorial Director Kathryn J. McIntyre's column appears every other week.*



Kathryn J. McIntyre

## Claims

*Continued from page 1*  
time," said Laurie Havanec, manager of benefit design and administration at United Technologies Corp. in Hartford, Conn.

Those insurer and employer objections came as the Labor Department last week held three days of hearings on the proposed regulations. Never before has the department held such lengthy hearings on a proposed employee benefit plan regulation.

Those regulations, proposed last September, have triggered a massive response. In all, the department has received nearly 700 comments on them.

Labor Department officials say their doors are open to consider revisions.

"We are very open to how to do it differently," said Leslie Kramerich, deputy assistant secretary for policy at the Department's Pension and Welfare Benefits Administration. But, Ms. Kramerich added, "We are very committed to what we are doing."

The proposed regulations would replace those first put in place in 1977, which require health care plans to act on claims as soon as possible but in no more than 90 days.

By contrast, the proposed regulations would vastly speed up claims handling. For example:

- In the case of urgent care, a plan would have 72 hours to notify a member whether coverage will be provided for a procedure or service. For non-urgent care, the deadline would be 15 calendar days.

Those deadlines would apply in situations such as those in which plans require recertification before a beneficiary can obtain coverage for operations performed in hospitals.

If coverage is denied, a beneficiary would have 180 days in which to appeal the decision.

- In the case of services that already have been performed by

providers, health care plans generally would have 15 calendar days to process the claims. If a claim were incomplete, a plan administrator would have five calendar days from receipt of the claim to notify a participant or provider of that fact and of the information needed to process the claim.

- Plan participants would have to be notified how claims are resolved, even if the claim was not contested.

The most significant objection insurers and employers are raising to the proposed regulation is that the deadlines are the same for benefit determination made before and after a service is performed.

"As proposed, all claims are subject to the same time frames. The urgency of response is much different for these two," said Dr. Lee Newcomer, chief medical officer at United HealthCare Corp.

Few procedures—roughly 2% of claims processed, Dr. Newcomer said—require preauthorization, noting that such requests do require faster attention.

On the other hand, the time frames for processing claims after a service is delivered go too far, witnesses at the hearing said.

For example, while the proposal says health plans would have 15 days to process claims, the effective deadline would be five days. That is because health plan administrators would have only five days to determine if all information needed to process a claim was available.

This five-calendar-day requirement, if met, would cause more harm than good, witnesses said.

United HealthCare's Dr. Newcomer, noting that the big insurer pays 93% of complete claims within 15 business days, says a five-calendar-day requirement would lead to:

- More processing errors from weekend staffing and reviews rushed to meet the new deadlines.

- A reduction in efforts to detect provider fraud. Detecting provider fraud cannot be accomplished without historical claim review, and that

kind of review takes more than five calendar days, he said.

This new five-day standard would significantly increase health plan costs, others said. Such a standard would require insurers to have their claims processing departments operate 24 hours a day, seven days a week, said Dean Rosen, senior vp of policy at the Health Insurance Assn. of America in Washington.

"This will cause significant cost increases in claims and could lead to increased premiums," Mr. Rosen said in his written testimony, adding that several HIAA members said their staffing costs for claims administration could increase by 50% to 75% if the Labor Department regulation were adopted.

Other witnesses agreed that the tighter deadlines will lead to more mistakes in processing claims. United Technologies' Ms. Havanec, who testified on behalf of the ERISA Industry Committee, noted that plans need adequate time to investigate claims—before reimbursement—to ensure that providers haven't billed for diagnoses or codes that are more serious than the services that were actually performed.

In fact, Ms. Havanec said, the regulation would do more harm than good by leading to more hasty, rather than sound, claims decisions.

Other witnesses, though, applauded the Labor Department for proposing faster deadlines for benefit determination and claims processing.

Tighter deadlines for determining coverage and then processing claims would be a win for employees and health care professionals, said Joanne Husted, director of legal and public policy for the National Partnership for Women & Families, a Washington-based advocacy group.

Employees, she noted, would have more confidence in the health care system, improved health and greater peace of mind. Health care professionals would have more time to deliver care and spend less time wrangling with health plans. **BI**

## OSHA

*Continued from page 2*

Sen. Enzi's bill is a modified version of the SAFE Act he introduced in the previous Congress (*BI*, Oct. 6, 1997). The new bill, however, does not contain language from the earlier bill that critics claimed would hamper workers' ability to file safety grievances. The new bill also does not address the issue of employer/employee "participation groups," a provision that organized labor strongly opposed.

When he introduced the bill earlier this month, Sen. Enzi said that some of the measure was drawn directly from OSHA's "Safety and Health Achievement Recognition Program," which also grants businesses that meet OSHA's requirements a one-year exemption from fines.

OSHA Administrator Charles Jeffress responded cautiously to the bill. In a written statement released earlier this month, Mr. Jeffress said, "While there remain a number of provisions to which we have had serious objections in the past, (Sen. Enzi) has made some important changes." He pledged to work with Sen. Enzi and others to "find common ground" on the issue.

The measure also drew a cautious response from the Risk & Insurance Management Society Inc.

"Risk managers are always concerned about the health and safety of their employees. Sen. Enzi has always echoed this thought process and has challenged OSHA on several occasions, as well as employers, to make safety in the workplace a priority," said Lance Ewing, chairman of RIMS' External Affairs Team.

"While this new proposal from the senator has excellent and exceptional

ideas, some concerns still remain," added Mr. Ewing, who also is director-insurance and loss prevention for GES Exposition Services Inc. in Las Vegas.

"Risk managers would want to know what criteria would OSHA use to approve or to certify these so-called safety consultants, who would monitor and rate the performance of these safety consultants, and what would states such as Texas do that already certify safety professionals to conduct loss control services," he said.

Caution also marked insurer reaction to the bill.

"I think this bill has some pitfalls that aren't really apparent at first glance," warned Arlene Ryndak, a workers compensation specialist with the National Assn. of Independent Insurers in Des Plaines, Ill.

She said the bill could present insurers with "a really profound" conflict of interest.

"When you need a safety consultant, who are you going to call? You're going to call your insurance carrier in some cases.

"If you get a policyholder requesting that their carrier provide them with consulting services, that puts the insurer in a bad position. The insurer acts as the friendly consultant, often providing services free of charge. Then you get a situation like this, which puts the insurer in the position of being the OSHA inspector. Then, on top of this, there's a legal question of who owns the information," she said.

"OSHA's got to do something to be able to leverage its resources. We think, in concept, the third-party certification concept is a good one. But the devil's in the details," said Eric Goldberg, senior counsel for the

Washington-based American Insurance Assn.

"We'd like to see it voluntary," he said, noting that while OSHA inspectors look for violations of OSHA standards, workers compensation inspectors look for the causes of loss. "There's not necessarily an overlap between the two," said Mr. Goldberg.

"It's got to be set up in a way that allows the insurer to participate in the program if it wants to, instead of being required to."

But not all employer groups shared such skepticism.

"I think it will be easier for small businesses to comply with the Occupational Safety and Health Act. I don't think there's anything in there that gives us heartburn," said Susan Eckerly, chief Senate lobbyist for the National Federation of Independent Business in Washington.

Jenny Saunders Krese, director-employment policy for the National Assn. of Manufacturers in Washington, said, "We had supported his SAFE Act from last Congress, and this Congress we look forward to supporting it as well."

"Our philosophy is anything that moves OSHA away from confrontation towards cooperation, away from the adversarial approach to a cooperative relationship, we're all for that. It looks good, and we look forward to supporting it."

Sen. Enzi's bill did not impress the AFL-CIO, which opposed the SAFE Act in its previous form.

"Basically, it's a pared-down version of his legislation from last year. We still have major problems and objections to the major features of the bill," said Peg Seminario, director-safety and health for the Washington-based labor federation. **BI**

# Guarantee

Continued from page 2

Below the AAA level, New York-based Asset Guaranty Insurance Co., a unit of Enhance Financial Services Group Inc., has an AA rating. And New York-based American Capital Access Corp., which began writing its primarily municipal bond business in October 1997, has carved out a new market niche with a single A rating.

In addition, Bermuda-based Global Markets Access, a subsidiary of Global Markets Guaranty Ltd., is expected to be capitalized shortly with an initial public offering.

The company, which was formed by former American Capital Access Corp. President Don Matthews, is expected to reinsure ACA business as well as act as a primary insurer, principally for international asset-based business, according to documents filed with the Securities and Exchange Commission. It is expected to have A or A-plus ratings. GMA's reinsurance "will provide us with the flexibility to better serve our market," said ACA Managing Director Wayne Marsden.

Other Bermuda-based financial guarantee operations include Commercial Guaranty Assurance Ltd., which specializes in credit enhancement primarily for commercial real estate-backed and private asset-backed markets.

A joint effort between EXEL Ltd. and FSA led to the formation of two new Bermuda-based financial guarantee insurers (BI, Oct. 12, 1998), while financial guarantee reinsurer RAM Reinsurance Co. also began operations in Bermuda last year (BI, Feb. 28).

The insured portion, as well as the overall municipal bond market, is thriving. In 1998, long-term new issues totalled \$286.2 billion, up 29.7% from \$220.7 billion in 1997, according to the New York-based Bond Market Assn. The insured portion amounted to \$145.2 billion last year, or 50.7% of the total, compared to 48.7%, or \$107.5 billion in 1997, and is not expected to increase significantly.

The overall market remains competitive. "It's been a long-term concern that the continued erosion in premium rates" is resulting in lower returns on the book of business, although a study last year by Standard & Poor's Insurance Rating Services in New York indicated profitability was up slightly, said Richard P. Smith, senior vp at S&P.

Competition varies depending on the sector. Joseph W. Swain, president and chief operating officer of financial guarantee reinsurer Capital Re Corp., said the "highest-quality segment of the market, including the general obligation bonds and large, tax-backed revenue bonds, remain extraordinarily competitive, so I don't really see at this point in time any rate decreases, but the rates were already very low" in that segment.

On the other hand, rates for health care and investor-owned utility issues are "moving up briskly." In the middle are issues for projects such as airports and toll roads, where, Mr. Swain said, "I see a gentle rise in price, but nothing dramatic at this point in time."

Claims in the financial guarantee business remain relatively rare, with the average loss ratio for all monoline primaries between 1988 and 1997 just 7.5%, according to a study by rating agency Fitch IBCA Inc. in New York.

One major loss in the health care sector last year was suffered by MBIA in connection with the bankruptcy of the Delaware Valley Obligated Group, a group of five hospitals and a medical university in the Philadelphia area that is part of the Pittsburgh-based Allegheny Health, Education & Research Foundation.

MBIA obtained \$170 million of retroactive reinsurance from Munich Re, AXA Re Finance and Zurich Re; MBIA expects that will cover its losses, said MBIA Chairman David Elliott.

Multiline reinsurers have demonstrated increasing interest in financial guarantee insurance. At the moment, the thriving financial guarantee business is more attractive than the traditional property/casualty business, said Mr. Elliott.

And with deals becoming larger, "we have plenty of reinsurance to be able to give them," said Mr. Elliott, who noted that the insurer has decided to increase the percentage of its reinsured business to about 15% or 16% from the 12% range. Ceding commissions have remained "pretty constant through the years," he said.

Multiline reinsurers' involvement in the business is nothing new, said Capital Re's Mr. Swain. They were a "reasonably large factor" in financial guarantee insurance until several years ago, when their own ratings came under attack and they withdrew, he said.

Some observers believe new financial guarantee entrants are a possibility, though there is general agreement that rating agency capital requirements make the emergence of another AAA-rated insurer highly unlikely.

"I think new entrants are more likely, and whether or not that will spur further competition has yet to be seen. And whether or not they'll survive, more importantly, has yet to be seen," said Ari Ginsburg, Fitch associate director.

Right now, there is greater interest worldwide in getting into the financial guarantee business than there has been for a while, though "that doesn't mean they'll all get there," said S&P's Mr. Smith.

The creation of the European Union, which has switched the focus to credit from currency, has spurred interest internationally, he said. And domestically, "it wouldn't be surprising, given the success to date of ACA," that more lower-rated companies will be formed, though ACA has not yet

developed enough of a track record to determine whether there is a sufficient market for it, said Mr. Smith.

The industry's diversification into relatively high-risk business remains a concern. "There aren't a lot of businesses that have risk profiles consistent with AAA," said Laura Levenstein, managing director at rating agency Moody's Investors Service Inc. in New York.

"It's an ongoing vigil to stay on top of whatever they're doing in terms of diversification," said S&P's Mr. Smith. But, at the same time, "we're not sitting here in mortal fear of what they are going to do next." What insurers have done so far "has generally been prudent and well thought out and not incredibly risky, but, nevertheless, they are in businesses that, by and large, are not natural evolutions from their existing skill bases."

"All of the companies have been quite careful in their underwriting in the asset-backed and mortgage markets... both as a result of their own underwriting and also the oversight of the rating agencies," said FSA President Roger K. Taylor. Performance in these areas has been "very solid."

Richard A. Ciccarone, research director at Oakbrook Terrace, Ill.-based Van Kempen American Capital, said he is particularly concerned about diversification among financial guarantee reinsurers and that, in their efforts to reach targeted returns on equity, they may take on riskier business.

But Arthur Dubroff, executive vp and chief financial officer at Enhance Financial Services Group, which operates Enhance Reinsurance Co., said the company responds to rating agency concerns by discussing opportunities and ideas with them first. The company also tries to focus on "asset-based" business, which has "inevitably less risk associated with it," said Mr. Dubroff. One such business is to buy non-performing residential mortgages at a discount and service and securitize them.

However, Capital Re, whose AAA rating is now under review by Moody's, has "clearly stated to the market that our diversification efforts are going to be curtailed going forward," said Mr. Swain. Its rating had been placed on, then removed, from credit review by the rating agency once before last year.

Mr. Swain noted that Michael Satz, Capital Re's former chairman, president and CEO who resigned in December, had been a proponent of a diversification strategy. But the company's board of directors "was convinced that the business that we had, where we are established leaders, were good businesses and were adequate to meet the growth target that the company has in front of it." It was that conflict, rather than the rating agency action, that led to Mr. Satz's resignation, said Mr. Swain.

In addition to financial guarantee, Capital Re's businesses include mortgage guarantee, title and trade credit insurance. **BI**

## Updates

### Y2K mediation/arbitration program

Continued from page 2

The association's new resolution program, now up and running, aims to resolve complex, technical disputes involving product failure or disruption of critical supply chains as a result of computer problems associated with the arrival of the year 2000.

The New York-based AAA has established a national technology panel of 350 technical and legal experts who are trained and experienced arbitrators and mediators to hear and resolve the Y2K disputes.

Under the Y2K program, parties may elect to resolve their disputes through mediation, a non-binding process that allows each side to explore creative solutions. If a resolution is not met, parties can turn to binding arbitration. The AAA's Y2K arbitration procedures are designed to obtain a decision within 105 days of the case being filed with the AAA.

Parties who want to participate file a "demand for arbitration" with the AAA the same way they do with other dispute resolution procedures.

### Deregulation bills advance

An insurance deregulation bill passed the North Dakota House of Representatives last week, and deregulation bills passed legislative committees in Arkansas, Colorado and Oklahoma.

The North Dakota House of Representatives unanimously passed H.B. 1177. The bill would exempt an insurance carrier from rate and form filings if a buyer meets two of seven criteria, which include having more than 75 employees, having aggregate annual premiums of more than \$75,000 and procuring insurance through a risk manager.

The Kansas Senate Committee on Financial Institutions and Insurance also heard testimony on a deregulation bill, S.B. 121, but postponed the action until this week.

The Arkansas House Committee on Insurance and Commerce passed H.B. 1441. Among other reforms, the bill would exempt from filing and review requirements rates applicable to commercial risks, excluding workers compensation and professional liability.

The Colorado General Assembly's House Committee on Business Affairs passed H.B. 1310, which, among other things, would exempt insurance products sold to certain qualifying commercial policyholders from rate and form filing requirements.

The Oklahoma House Insurance Committee passed H.B. 1628, a competitive rating bill that would move commercial lines, excluding workers compensation, to file and use, and exempt insurers from filing rates for large commercial risks above a certain threshold.

Under the Kansas bill, the 30-day commercial lines waiting period for filing a rate and being able to use it would be eliminated, creating true file and use. The bill would move farm owners' and business owners' package insurance policies to file and use; move personal lines to file and use; enact large commercial risk form and rate filing exemptions; and eliminate requirements for filing "A" rates.

### Briefly noted

California Insurance Commissioner Chuck Quackenbush is suing the French buyers of the failed **Executive Life Insurance Co.** for what the suit charges is fraud, deceit, misrepresentation and unfair competition. The lawsuit, filed last week in Los Angeles County Superior Court, seeks billions of dollars in compensatory and punitive damages. It charges that in order to win ELIC's multibillion-dollar junk bond portfolio, the buyers fraudulently concealed the involvement of a French government-owned bank and its subsidiary in the ownership of the new insurance company that was created to replace ELIC. . . Hamilton, Bermuda-based ACE Ltd. has announced that **Dennis Reding**, president and chief executive officer of ACE USA, will be president and CEO of the company's U.S. operations following the completion of ACE's acquisition of CIGNA Corp.'s property/casualty operations. **Gerry Isom**, current president of CIGNA's domestic property/casualty operation, will retire at the deal's closing, expected to occur by June 30. . . **Madeline Joell**, vp and director of marketing for ACE Ltd., died Feb. 14 after suffering a brain aneurysm. Ms. Joell, who was 39, was a member of Bermuda's Parliament, serving her first term as a representative of the United Bermuda Party, and a competitor in international amateur golf tournaments. . . **Kaiser Permanente**, the nation's largest not-for-profit HMO, with 8.6 million enrollees, last week reported a \$288 million net loss for 1998. The plan, though, expects to move into the black by the end of this year due to cost reductions and substantial rate increases. . . **James B. Miller** has been named president and CEO of GE Reinsurance Corp., the broker market reinsurer being formed through the merger of Kemper Reinsurance Co. and First Excess & Reinsurance Corp. For the past year, Mr. Miller has been president and chief operating officer of Kemper Re, which was purchased by GE Global Insurance Holding Corp. last year. The company is awaiting formal regulatory approval of the GE Reinsurance name. . . **James A. Zrebiec**, chairman of International Marine Underwriters, has been elected chairman of the Board of Directors of the American Institute of Marine Underwriters. He succeeds Richard D. DeSimone, senior vp of Atlantic Mutual Insurance Cos. . . **Skandia Group**, the Stockholm, Sweden-based parent of Skandia Property & Casualty Insurance Co. Ltd., has announced it is planning separate stock market listing for its property and casualty insurance operations "within a few years." At that point, the parent company expects to own between 20% and 49% of the subsidiary. . . **The Joint Forum on Financial Conglomerates**, a committee reviewing international supervision of the banking, securities and insurance sectors, has issued final documents outlining proposed supervisory issues for international financial organizations. The Joint Forum, backed by the Basel Committee on Banking Supervision, the International Organization of Securities Commissions and the International Assn. of Insurance Supervisors, has been looking at international supervision in the context of emerging financial conglomerates and the convergence of organizations' activities in each of the three financial sectors.

# Birth control coverage at issue

TALLAHASSEE, Fla.—A battle is brewing in Florida over requiring insurers and managed care plans to pay for birth control.

Last month, the House Governmental Operations Committee voted 4-2 to kill H.B. 83, which called for health insurers that cover sexual dysfunction to pay for the cost of any contraceptive method prescribed by a "licensed practitioner." The proposal applied to insurance companies and managed care plans.

But the birth control brouhaha isn't over with the defeat of H.B. 83. Another similar bill is expected to be drafted before the Florida Legislature convenes March 2.

While figures were unavailable as to how much H.B. 83, the Contracep-

tive Equity Act, would have cost employers, an analysis indicated it would add \$4.5 million to the cost of the state's managed care plan, according to Russ Cyphers, a legislative analyst with the Committee on Governmental Affairs.

A spokeswoman for Blue Cross & Blue Shield of Florida said requiring coverage just for oral contraceptives would add 5.5% to the cost of prescription drugs under a group plan.

H.B. 83 was aimed at making insurers who pay for the drug Viagra or other health care related to sexual dysfunction in men cover the cost of contraception for women, said Rep. Elaine Bloom, D-Miami.

Although H.B. 83 is dead, Rep. Bloom said she is co-sponsoring an-

other bill that will address the same issue. "You have to recognize that this is not a business issue," she said, but "an arch-conservative issue." Conservatives who oppose the bill "don't want anybody to think they are encouraging sexual activity, even though it may be between married people," she said.

Insurers are opposing the mandate, which they say is just one of a number that they will fight in the upcoming legislative session.

A spokesman for the Florida Insurance Council, a Tallahassee, Fla.-based insurer association, said insurers are up against several other proposed mandates lawmakers are expected to consider this year.

—By Michael Bradford

# Pricing may finally be bottoming out

By MYRON M. PICOULT  
Special to Business Insurance

**H**OW MANY STRAWS does it take to make a brick? Last December we noted that, in general, consensus earnings projections by analysts were 10% to 15% too high. This observation reflected the ongoing pricing deterioration in many commercial lines segments, the likelihood of minimal growth or absolute declines in net investment income, and the probability that the euphoric state of the personal automobile line had reached its pinnacle.

In recent weeks, we have been hearing of or have seen some signs that the long decline in commercial pricing may be in the early stages of abatement. Notwithstanding these comments, our sense is that most individual companies may be talking the talk, but they are not yet walking the walk. Hence, many more earnings disappointments will surface before this is all over.

The prospective pricing recovery, when it starts, is not likely to replicate the 1985 spike, due to the plethora of capital that continues to slosh around the industry and the probable reluctance of clients to accept what in hindsight clearly was price gouging. This reversal in pricing—and, ultimately, underwriting—is likely to manifest itself as a more gradual, protracted recovery. While the stronger players in the industry should have no problem with this, the dynamics of the recovery are not likely to be strong enough to save those that are weaker.

A colleague recently acknowledged the sorry state of the business and the prospect of some very disappointing earnings results for 1998's fourth quarter and for all of 1999. His take, however, was that investors will focus on evidence of a price recovery and prospective earnings power rather than woeful earnings reports. We totally agree that we are closer to a bottoming out of pricing than we have been for many years, and the possibility exists that the stocks could get a wild ride on the upside. However, we believe that any sustained investor reaction will be tied to the depth of the earnings shortfall, the pace of price recovery, and other investment alternatives. For example, if the economy holds up relatively well, it will probably be tough for this group as a whole, given its lackluster stock market performance in recent years.

Throughout 1998, managements were noting, with increased emphasis, the heightened level of competition. In the latter part of 1998, references to slowed net investment income became more pointed. Despite a humongous capital cache, the slow income growth, together with a cash flow squeeze, was taking its toll. And while the cheering squads are championing the willingness to walk away from deficiently priced business, in reality, the verbiage currently exceeds the actions.

Nonetheless, there are a couple of straws we have been able to find. Several brokers have acknowledged that their clients have been seeking multiyear deals to try and lock in prices, or at least a commitment for coverage. This tells us that clients sense that the bargains of the past few years are about as good as they

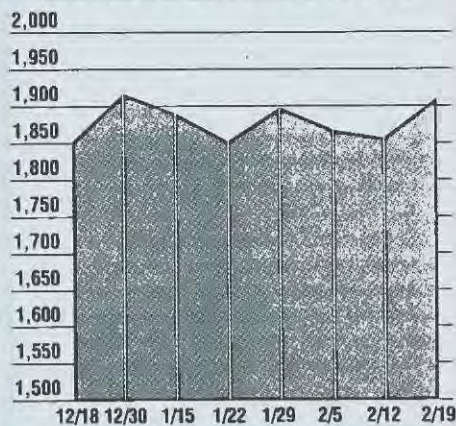
are likely to get and that they want to protect their access to the market. We also have heard of key agents calling chief executive officers and saying, in essence, "We're partners, right?" Once again, this is a sign that some intermediaries need their concerns assuaged about access to the market.

A money manager renewing his coverage was able to get the same coverage from another insurer after being told that his existing insurer wanted a 10% price increase, even though no claims had ever been submitted. The good news is the evidence of some firming up of prices. The bad news is that there still is a lot of capacity seeking to be put to work. As a sidenote, both the new and the old insurer in recent months have publicly emphasized renewed commitments to pricing integrity. This is a perfect example of one company talking the talk and the other walking the walk.

Another sign is that the CEO/CFO shuffle seems to be increasing as past misjudgments exacerbate present-day problems. We are once again entering the phase of write-offs and charge-offs. The real question is whether investors will be complacent and try to put a good spin on the cleanup, or provide increasing evidence that they are not happy with management's collective efforts. To date, the latter appears to be in the lead. Furthermore, there is more evidence suggesting that the retro market has shut down or is close to shutting down many lines of business. Last but not least, it looks like some of the sellers are facing more difficulty in getting the prices they think their companies deserve.

It is not yet clear how much straw is needed to build a brick. But it normally takes a lot of bricks to build a good foundation. **BI**

## BI Insurance Index



Base=100 on Dec. 29, 1978  
Source: Nordby International Inc. (nordby.com) Boulder, Colo.

## PCS catastrophe options

As of Feb. 19	Call spread	Price bid/ask	Call spread	Price bid/ask	
National Annual 1999	40/60	12.0/16.0	California Annual 1999	60/80	1.2/2.3
60/80	6.0/12.0	80/100	150C	1.0/1.9	
80/100	4.0/8.0	150C	200/250	0.5/2.5	
150C	4.3/6.0	Western Annual 1999			
200/250	2.8/4.0	80/100	0.5/2.2		
Southeastern September 1999					
40/60	2.8/—	Midwest June 1999			
60/80	2.1/3.0	10/20	1.2/1.4		
80/100	1.6/2.4	Florida Sept./Dec. 1999			
Eastern September 1999					
40/60	3.0/—	100/150	2.6/—		

Total volume: 0 Total open interest: 10,997

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.

Source: Chicago Board of Trade

## Hedges

Continued from page 3

many years with the American Institute for Chartered Property Casualty Underwriters and helped that organization with its testing for the CPCU designation. In addition, he served on the board of the American Risk & Insurance Assn. for nine years, including a term as president. Mr. Hedges also was active with the Insurance Institute of America, the Society of Chartered Property & Casualty Underwriters and the Risk & Insurance Management Society Inc.

Temple University plans to name the li-

brary in the risk management department in his honor.

"Bob was a wonderful, gentle, humble human being, a constant student and teacher," M. Moshe Porat, the dean of the Fox School of Business and Management and a former graduate student of Mr. Hedges, said in a written statement. "Many years after his retirement, he continued to guide doctoral students, entertain former students and peers at his home and attend school events and academic conferences."

Mr. Hedges is survived by his wife, Jane Hedges, and two daughters.

Memorial contributions may be sent to Inter-Faith of Ambler, P.O. Box 141, Ambler, Pa. 19002.

Myron M. Picoult is a director and senior insurance analyst at Wasserstein Perella Securities Inc. in New York. He is the past president of the Assn. of Insurance & Financial



Analysts and a member of the New York Society of Security Analysts. An archive of Mr. Picoult's columns for Business Insurance can be viewed on the World Wide Web at: <http://www.businessinsurance.com/ticker/headlines.html>

## British Issues

Companies	Price pence	P/E	Div. pence	Yield %	52-week high-low
Gdn Royal Exch	360	5.6	4.3	1.2	495-227
Legal & Gen	878	25.3	13.3	1.9	946-500
Royal & Sun	520	15.1	23.6	4.5	825-433

Brokers

Company	Price	P/E	Div. pence	Yield %	52-week high-low
Lmbt Fenchurch	80	9.7	4.2	6.7	121-78
JLT	171	10.3	10.5	7.7	236-152

Note: Prices are Feb. 19 closings; other numbers from Feb. 18.

Source: Nordby International Inc. (nordby.com) Boulder, Colo.

# BI Industry Stock Report FEB. 15, 1999, THROUGH FEB. 19, 1999

BROKERS	Price	Weekly % change	Year to date % change	Year to date			Price	Weekly % change	Year to date % change	Year to date			Price	Weekly % change	Year to date % change	Year to date							
				High	Low	Vol.(000)				High	Low	Vol.(000)				High	Low	Vol.(000)					
Aon Corp.	NYS	58.19	3.67	3.79	75.56	48.25	2287	CNA Surety	NYS	10.88	-5.43	-27.20	16.75	10.69	398	RLI Corp.	NYS	32.06	-2.66	-3.93	45.63	30.69	79
E.W. Blanch Holdings Inc.	NYS	55.38	0.23	18.61	58.25	34.69	143	EMC Insurance Group Inc.	NDQ	11.63	-2.62	-8.82	15.88	9.00	7	St. Paul Companies	NYS	32.31	6.16	-7.68	47.19	28.06	3554
Gallagher Arthur J. & Co.	NYS	46.00	2.51	5.14	50.63	34.88	92	ESG Re Limited	NDQ	16.50	-7.04	-16.72	28.88	12.75	1042	SCOR	NYS	50.06	-1.11	-22.98	72.75	50.06	48
Hilt, Rogat & Hamilton	NYS	17.13	0.00	-8.05	19.88	15.38	67	Enhance Financial Services	NYS	23.13	1.93	-23.55	37.56	17.31	855	SAFECO Corp.	NDQ	39.75	4.26	-6.47	56.00	36.69	2190
Kaye Group Inc.	NDQ	7.38	1.72	1.72	8.06	5.13	6	Everest Reinsurance	NYS	31.88	3.45	-13.12	45.25	28.75	1224	SCPIE Holdings Inc.	NYS	29.63	1.72	-1.46	38.38	26.63	NA
Marsh & McLennan	NYS	67.56	2.17	14.27	68.50	43.38	3879	Executive Risk Inc.	NYS	72.50	7.41	34.57	74.94	35.50	4180	Seibels Bruce Group	NDQ	3.38	0.00	-3.57	8.38	3.06	151
Poe & Brown	NYS	31.75	-2.87	-9.12	42.50	31.50	189	EXEL Ltd.	NYS	61.81	2.17	-13.62	83.25	58.94	4143	Selective Ins. Group	NDQ	18.13	-0.68	-10.49	29.25	16.69	478
BROKERS AVERAGE																							
INSURERS/REINSURERS																							
ACE Ltd.	NYS	28.75	6.48	-12.05	43.00	24.38	2780	Fremont General Co.p.	NYS	19.38	1.64	-19.69	31.06	18.00	1213	Terra Nova Insurance Co. Ltd.	NYS	22.00	1.15	-9.74	35.00	21.25	95
Accel International Corp.	NDQ	2.69	-2.27	-10.42	3.50	2.13	23	Frontier Insurance Group	NYS	13.75	3.29	10.00	25.69	11.06	801	TIG Holdings	NYS	16.00	0.79	3.23	27.75	11.83	665
Acceptance Insurance Cos.	NYS	17.31	0.73	-12.89	25.63	16.75	73	Gainco Inc.	NYS	5.25	3.70	-16.83	10.00	5.00	192	Tokio Marine & Fire	NDQ	54.50	-1.58	-7.43	61.38	39.00	97
AEGON N.V.	NYS	98.25	-2.12	-19.43	130.13	50.88	1924	Gryphon Holdings	NDQ	18.69	0.00	0.00	19.38	11.38	0	Torchmark Corp.	NYS	34.06	6.24	-1.98	49.81	30.69	1940
Aetna Life & Casualty	NYS	77.00	-1.28	-3.52	91.44	60.19	2865	Harleysville Group	NDQ	19.06	-4.98	-25.25	28.50	17.25	345	Transatlantic Holdings	NYS	75.56	0.25	-0.08	94.50	72.44	108
AFLAC Inc.	NYS	49.00	-1.13	11.36	50.50	25.13	2419	Hartford Steam Boiler	NYS	36.06	1.58	-10.26	59.56	34.75	252	Travelers Property Casualty	NYS	35.25	5.82	15.10	45.94	24.13	2084
Allmerica Financial Corp.	NYS	52.06	0.85	-8.06	75.25	38.38	1216	HCC Insurance Holdings	NYS	17.38	6.11	2.58	23.94	16.06	759	Trenwick Group Inc.	NDQ	31.25	-1.57	-1.19	41.75	26.75	729
Allstate Corp.	NYS	37.63	4.15	-2.27	52.38	34.75	13924	ING Groep N.V.	NYS	54.31	-1.47	-10.96	76.75	36.06	350	Unico American Corp.	NDQ	12.00	-1.03	4.07	18.13	8.88	13
AMBAC Indemnity Corp.	NYS	52.75	-3.87	-11.99	65.94	40.88	1385	IPC Holdings Ltd.	NDQ	20.38	-0.61	-10.44	33.25	19.00	259	United Fire & Casualty	NDQ	29.50	-5.98	-11.36	44.50	29.50	13
American Bankers Ins.	NDQ	47.75	4.51	0.00	66.06	30.13	1272	Hartford Financial Services	NYS	52.19	3.47	-6.49	60.00	37.63	4869	Unitrin	NDQ	67.13	4.68	-5.29	75.47	55.56	261
American Financial Group	NYS	35.19	0.36	-14.57	45.75	30.50	217	LaSalle Re Holdings Ltd.	NYS	18.38	1.73	-10.91	42.94	17.25	145	UNUM Corp.	NYS	48.81	7.72	-18.56	62.50	41.75	8463
American General	NYS	71.75	9.65	-8.31	79.00	52.38	2883	Lincoln National	NYS	93.00	10.55	12.22	98.88	67.00	1915	Vesta Insurance Co.	NYS	6.63	-2.75	15.22	60.50	5.00	655
American Heritage Life Ins.	NYS	21.00	-6.87	-12.73	26.69	18.63	112	MAIC Holdings Inc.	NYS	31.25	1.42	-2.34	33.13	23.25	147	Zenith National Ins.	NYS	22.56	0.84	-2.43	30.50	20.31	111
American Indemnity/Fin'l	NDQ	13.25	17.78	24.71	15.38	9.50	31	Markel Corp.	NYS	178.00	-0.25	-1.25	187.00	132.00	16	INSURERS/REINSURERS AVERAGE							
American International	NYS	115.63	8.06	18.74	115.63	64.88	12976	MBA Insurance Group	NYS	57.63	1.10	-13.10	80.94	46.06	3168								
American Safety Insurance	NDQ	8.75	-7.89	-7.89	15.06	6.75	152	Meadowbrook Insur. Group	NYS	16.13	-2.27	-1.15	35.00	14.94	18	HEALTH MAINTENANCE ORGANIZATIONS							
Argonaut Group	NDQ	24.75	0.51	3.13	37.00	21.25	140	MMI Cos. Inc.	NYS	14.75	0.85	-1.61	26.00	13.75	246	Foundation Health Systems Inc.	NYS	8.36	-3.60	-23.86	32.63	5.88	1046
AXA-UAP Group	NYS	66.25	-0.75	-7.42	80.25	38.25	219	Mutual Risk Mgmt. Ltd.	NYS	32.94	-0.57	-13.18	39.94	25.38	806	Humana Inc.	NYS	17.25	-0.72	-8.91	32.13	12.25	2819
Baldwin & Lyons Inc.	NDQ	20.63	-0.60	-11.76	26.00	18.50	36	NAC Re Corp.	NYS	54.00	8.41	15.66	55.88	43.69	3854	Oxford Health Plans	NDQ	17.44	-4.45	24.55	20.88	5.81	4288
Berkley W.R. Corp.	NDQ	27.44	5.53	-18.70	49.88	24.63	879	Navigators Group	NDQ	14.88	-0.83	-2.46	20.75	13.25	26	Pacificare Health Sys.	NDQ	61.13	3.60	-14.51	88.88	53.75	46
Berkshire Hathaway Inc.	NYS	72000.00	1.27	5.42	84000.00	54800.00	1	NYMagic Inc.	NYS	14.75	-8.17	-29.34	34.25	14.75	25	Safeguard Health Enter.	NDQ	2.81	0.00	-21.05	11.00	2.75	117
Capital RE Corporation	NYS	15.19	13.55	38.69	11.94	2079	Ohio Casualty Corp.	NDQ	40.31	3.20	-1.98	51.75	33.75	119	Sierra Health Services	NYS	15.25	3.83	-26.95	27.63	14.13	2239	
Capital Transamerica Corp.	NAS	15.31	-4.30	-13.43	22.75	14.50	22	Old Republic Int'l	NYS	18.68	-1.31	-11.95	32.25	17.94	1210	United Healthcare Corp.	NYS	47.00	5.47	5.47	73.94	29.56	5630
Centris Group Inc.	NYS	10.69	10.32	14.00	14.81	7.94	184	Orion Capital Corp.	NYS	31.00	-3.69	-20.89	59.25	28.00	247	Wellpoint Health Networks	NYS	76.94	4.59	-10.41	87.88	50.50	1412
Charwell Re	NYS	22.25	3.79	-4.30	34.56	20.63	58	Partner Re Ltd.	NYS														

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