Business Insurance®

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

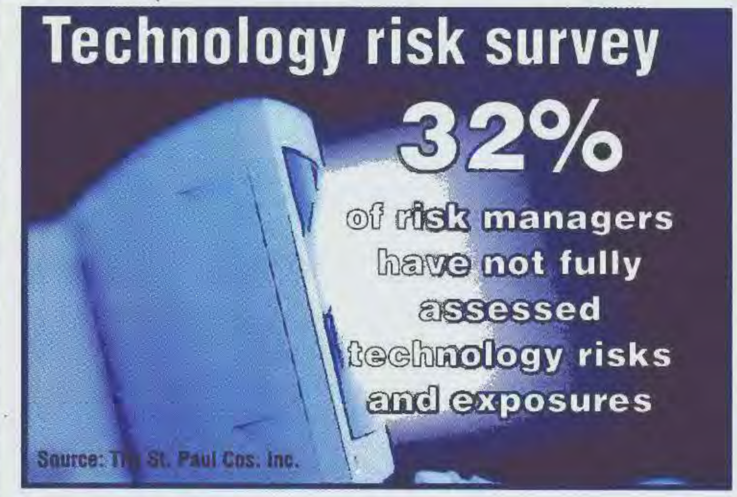
UPDATES

Cleanup orders not covered under CGL policies: Court

SAN FRANCISCO—In a departure from rulings by other state courts, California's Supreme Court struck a blow against policyholders last week when it ruled that insurers are not obligated under comprehensive general liability policies to indemnify policyholders for pollution cleanup orders issued by government agencies.

In *Certain Underwriters at Lloyd's of London et al. vs. Powerine Oil Co. et al.*, the high court ruled 5-2 that rulings in

See **Updates** *on next page*



Industry not ready for e-risks: Study

By SARAH VEYSEY

Many risk managers in the United States and Europe are "overconfident and underprepared" concerning high-tech risks, according to a new survey from The St. Paul Cos. Inc.

The survey received responses from 1,350 major corporations in the United States and 13 European countries, as well as 150 agents and brokers in the United States who provided information about their clients. It found that about four in 10 risk managers characterized their understanding of technology risks as "poor to fair," and a mere 10% of respondents described their knowledge of technology risk as "excellent."

Although most companies have introduced security measures to protect their computer systems, many had not sought to safeguard against liability exposures, including computer fraud, privacy violations, intellectual property risks, defamation and false advertising, and professional liability, the survey found.

"This survey must serve as a wake-up call," said Kae Lovaas, vp-technology at The St. Paul in St. Paul, Minn.

Conducted by New York-based opinion research firm Schulman, Ronca & Bucuvalas Inc. on behalf of The St. Paul, the survey found that although risk managers said technology risks were among the most

See **Survey** *on page 29*

Fraud prosecutions may lower comp costs

By MEG FLETCHER

A growing push on the part of some prosecutors to investigate and seek indictments for workers compensation fraud by employers may prove a boon to law-abiding insurance buyers.

"Workers compensation premium fraud costs honest employers millions of dollars of unfairly assessed premiums each year," said Sam King, vp of the Western division for Morrisville, N.C.-based MJM Investigations Inc.

Losses in the workers comp system involving such fraud are spread to law-abiding companies, creating higher operating costs that make it difficult for them to compete for bids with the companies that cheat, he explained. Previously, Mr. King directed the special investigations unit of Golden Eagle Insurance Corp., a subsidiary of Boston-based Liberty Mutual Insurance Co.

Typically, an employer commits premium fraud by underreporting its number of employees. Another type of fraud involves a company misrepresenting the kind of work it does to avoid the higher premium charged for riskier businesses. For example, a construction company may tell its insurer that it is engaged principally in office work. An employer also can manipulate its experience rating modification factor, which compares that company's losses with industry averages in a calculation designed to permit safer companies to pay lower premiums.

See **Fraud** *on page 29*

Record enrollment for new benefit

State's LTC plan a success

By JERRY GEISEL

ST. PAUL, Minn.—By promoting a limited number of benefit options, offering online enrollment and educating participants, the state of Minnesota achieved enrollment in a long-term care insurance program that was more than double what is typical for such programs.

While roughly 2,500 employers now offer long term care insurance programs, which reimburse beneficiaries for such expenses as nursing home stays, enrollment rarely exceeds 8% of those eligible and often is in the 5% to 7% range, benefit experts say.

The low enrollment rate typically is attributed to unwillingness on the part of many employees to consider and plan for the risk of being unable to take care of basic needs.

While LTC insurance plan enrollment often has been a disappointment, a new plan sponsored by the Minnesota Department of Employee Relations and underwritten by a unit of CNA Financial Corp., is a notable exception.

During enrollment last fall, 18% of the state's 61,000 eligible employees either purchased coverage for themselves, their spouses or parents.

A key factor in Minnesota's high enrollment rate was that it gave employees a wide array of benefit options without overwhelming them with too many choices at once.

"We wanted choice, but we also wanted simplicity," said Paul Strebe, health policy analyst with the Minnesota Department of

See **Minnesota** *on page 28*

Spotlight on:

Environmental Risks

begins on page 3

L.A. digs out of tunnel debacle

New sewer project insured

By ROBERTO CENICEROS

LOS ANGELES—Among the California catastrophes and debacles etched upon the minds of underwriters nationwide is the construction of the Los Angeles Metropolitan Transportation Authority's subway tunnel, completed one year ago.

The MTA's risk manager for the project went to prison for accepting kickbacks from consultants. Hundreds of business owners sued the MTA for business interruption and property damage losses, after the ground along the tunnel route sank as much as 10 inches in some places. The MTA sued its primary liability and workers compensation insurer after the insurer declined to renew coverage. And investigators from the California Occupational Safety and Health Administration, responding to complaints from nearby property owners, swooped in, looking for violations.

Because of the MTA's history, underwriters remain wary of insuring Southern California tunnel construction projects, said Leslie Curry, executive vp in Los Angeles for Aon Risk Services Construction Services Group for Southern California. "The LAMTA painted Southern California just horribly from an underwriting perspective," Ms. Curry said.

So when the city of Los Angeles sought to implement an owner-controlled insurance program for two connecting sewer construction projects with a combined cost of $400 million, it had to contend with the history of the MTA project, said Ms. Curry and Victor T. Parker, a risk

See **Tunnel** *on page 28*

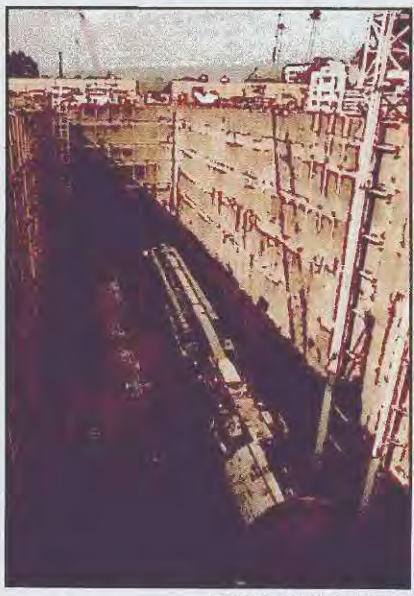


PHOTO: AP/ WIDE WORLD

Los Angeles had to convince insurers that problems that plagued a subway project wouldn't affect a sewer project.

NEWSPAPER

07

UPDATES

Cleanup orders not covered: Court

Continued from previous page

civil lawsuits—not administrative agency orders—trigger an insurer's duty to indemnify policyholders for "all sums the insured becomes legally obligated to pay as damages."

The duty to indemnify does not extend to any expenses required by an administrative agency, Justice Stanley Mosk wrote for the majority. "The provision imposing the duty to indemnify does in fact do so with a limitation to money ordered by a court. We cannot, and will not, act as if it did not," he wrote.

Writing for the dissenters, Justice Joyce L. Kennard said if an insurer will not pay for a policyholder's compliance with a cleanup order the policyholder's only option might be to decline to comply, forcing the government agency to sue and trigger the duty defend and possibly the duty to indemnify.

The big losers are the environment and public health, as the government will be forced to litigate, delaying effective remediation of environmental pollution, she added.

Other state courts that have weighed in on the issue have found for policyholders, said David B. Goodwin, a partner in the San Francisco office of Heller Ehrman White & McAuliffe, who represented Powerine before the high court.

In a 1998 case, the California Supreme Court ruled that CGL insurers do not have a duty to defend policyholders against cleanup orders issued by government agencies.

Anthem seeking to demutualize

INDIANAPOLIS—Anthem Insurance Cos. is seeking to convert to a publicly traded stock company from a mutual insurer.

Under the proposal, the full value of the company would be paid in common stock to Anthem's eligible members. The stock payment would likely include more than 1 million members covered under Anthem health plans; primarily, the eligible members live in Connecticut, Indiana, Kentucky and Ohio, according to a spokeswoman for Indianapolis-based Anthem.

Anthem is the Blue Cross & Blue Shield licensee in eight states, and it provides health insurance products to more than 7 million customers through a variety of plans, including health maintenance organizations and for-profit subsidiaries.

The spokeswoman noted that the move will help the company to obtain capital it needs to invest in technology and to pursue growth opportunities.

If approved by Anthem's board of directors, the demutualization is expected to be completed by the end of this year. The move also requires approval from regulators and Anthem members entitled to vote on the plan.

New York-based Goldman Sachs Group Inc. is serving as Anthem's lead financial adviser.

Frontier, Berkshire broaden deal

ROCK HILL, N.Y.—Frontier Insurance Group Inc. has expanded its aggregate reinsurance deal with Berkshire Hathaway Inc. to include business written by its Frontier Pacific Insurance Co. unit and surety bonds written by the group.

Limits of the reinsurance, provided by Berkshire's National Indemnity Co. subsidiary, will also increase to $858.6 million from $800 million, Frontier said. Under the amended agreement, National Indemnity will cover the net loss and loss adjustment expense reserves for:

- Frontier Insurance Co. for 1999 and prior years, up to $811.5 million.
- Frontier Pacific for 1999 and prior years, up to $47.1 million.
- Surety business written during 2000, including claims made after 2000 on bonds in force during that year and for required extensions and renewals of the bonds. The coverage excludes bail and appeal bonds.

At the same time, Frontier has agreed to substitute National Indemnity for Zurich Reinsurance (N.A.) on a stop-loss reinsurance contract that was in effect from 1995 to 1998. Terms of the contract will remain unchanged.

Separately, Frontier dropped its objection to the New York Stock Exchange's plan to delist the insurer's stock for failing to meet capital and other requirements (see story, page 31).

Prison term for Louisiana regulator

NEW ORLEANS—Louisiana Insurance Commissioner Jim Brown was sentenced last week to six months in prison and was fined $50,000 for lying to federal investigators.

Judge Edith Brown Clement of the U.S. District Court for the Eastern District of Louisiana sentenced Mr. Brown on five counts of lying to an FBI agent.

In October, a jury acquitted Mr. Brown of 43 charges, including insurance fraud and witness tampering, stemming from the liquidation of Cascade Insurance Co. (*BI*, Sept. 25, 2000). The jury convicted him, however, on charges of lying to investigators. Judge Clement last week threw out two of the seven counts on which the commissioner had been convicted.

Mr. Brown is the third consecutive Louisiana insurance commissioner to be convicted on federal charges.

Mr. Brown's attorney, William Jeffress of Miller, Cassidy, Larroca & Lewin L.L.P. in Washington, said the commissioner will appeal the sentence. Mr. Jeffress said that process would take at least several months.

A spokeswoman for the Louisiana Department of Insurance confirmed that Mr. Brown remains suspended without pay until his appeals are exhausted. J. Robert Wooley remains acting insurance commissioner.

See **Updates** *on page 30*

Nonprofits create RRG to cover liability risks

By JERRY GEISEL

SANTA CRUZ, Calif.—Charitable nonprofit organizations soon will have access to a new insurance vehicle.

A new risk retention group, Alliance of Nonprofits for Insurance Risk Retention Group, which was recently licensed in Vermont, will offer charitable nonprofit groups up to $1 million in primary coverage for a wide range of risks, including general liability, miscellaneous professional liability, directors and officers liability, improper sexual conduct liability and commercial auto liability. Up to $10 million in umbrella coverage also will be available.

Initially, the RRG will offer coverage to charitable groups in Colorado, Delaware, the District of Columbia, Maryland, Nevada and Virginia. It expects to write its first policies by June.

Eventually, the risk retention group plans to write coverage in every state except California. Within a decade, the group could generate about $20 million in annual premiums, said Pamela Davis, the RRG's president and chief executive officer.

The RRG was modeled after the Nonprofits' Insurance Alliance of California, a Santa Cruz-based risk pool that was organized about a dozen years ago, when charitable organizations in California faced soaring premiums. NIAC has since grown to 2,500 members, including organizations such as boys' and girls' clubs, homeless shelters, food bank centers, day care centers, and after-school and senior centers. NIAC, which is growing at the rate of one new member a day, now has an annual premium flow of more

See **RRG** *on page 30*

Senate complicates reform

Split between GOP, Dems makes big tort reforms unlikely

By MARK A. HOFMANN

WASHINGTON—Despite the inauguration of a president who supported their cause as governor of Texas, tort reform advocates will have to avoid the temptation to overreach if they want to gain congressional approval for their proposals, says one of its most-ardent supporters.

Robert A. McConnell, chief lobbyist for the Washington-based Civil Justice Reform Group, said the change in the White House has been accompanied by a change in the makeup of the Senate that will make enacting reform even more difficult than it had been in the past Congress.

Mr. McConnell made his comments during a discussion last week at the Washington Legal Foundation.

The new president "will be weighing very carefully" what he supports, said Mr. McConnell, who noted that President Bush hasn't yet "solidified" into legislative language any tort reforms he might propose.

Mr. McConnell said the change in leadership of the House Judiciary Committee will have little effect on the committee's tendency to support tort reform initiatives. While three-term Chairman Henry Hyde, R-Ill., was barred from serving another term as chairman by House GOP rules, he was replaced by Rep. James Sensenbrenner, R-Wis., who also supports reform.

See **Reform** *on page 30*

Icahn offer may be a spoiler

Restructuring negotiations drag

By GAVIN SOUTER

PHILADELPHIA—Reliance Insurance Co., a Philadelphia-based unit of Reliance Group Holdings Inc., has been placed under formal supervision by its principal regulator, the Pennsylvania Insurance Department.

But the troubled insurance unit still has not concluded its negotiations with the Insurance Department and creditors in regard to a financial restructuring.

The supervision order, filed last week, comes five months after the struggling insurance company agreed to increased oversight of its activities by its regulators.

The current order updates the previous agreement, imposing some additional controls and providing for the Insurance Department to have an onsite representative at Reliance's offices in both New York and Pennsylvania.

Reliance 1817

Terms of the supervision include requirements for Reliance Insurance Co. to: provide monthly financial information to the Insurance Department, submit and regularly update a plan for the runoff of the company's operations, submit annual reports on the runoff, provide quarterly reports on reinsurance collections and submit regular quarterly financial reports.

The insurer is also barred from disposing of significant assets without prior approval from the Insurance Department.

Reliance Insurance Co.'s supervision order is just one part of a restructuring that the insurer's parent is trying to negotiate with regulators and creditors.

New York-based Reliance

See **Reliance** *on page 30*

INSIDE

- Former New Jersey Gov. Christine Todd Whitman ought to bring much-needed flexibility and balance to the Environmental Protection Agency, this week's editorial says. **PAGE 8**
- The United Names Organisation, which represents many of the names that brought the failed *Jaffray vs. Lloyd's* fraud case, has described the settlement proposal from Lloyd's of London as "unacceptable." **PAGE 23**
- In Taking Stock, Myron M. Picoult writes about the historical performance of insurance industry stocks compared with the broader market. **PAGE 27**

Departments

Advertiser Index 28
Classifieds 26
Directory of Environmental Risk Management Consultants 16
For the Record 31
Global Briefs 23
Insurance Services Guide 24
International 23
Opinions 8
Taking Stock 27
Ticker 31

Business Insurance (ISSN 0007-6864) Vol. 35, No. 06, is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Periodicals postage is paid at Chicago and at additional mailing offices. POSTMASTER: Send address changes to *Business Insurance*, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207. $4 a copy and $95 a year in U.S. $114 in Canada and Mexico (includes GST). All other countries $215 a year (includes expedited air delivery). Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement No. 0293512, GST No. 136760444. Printed in U.S.A.

Environmental Risks

Whitman expected to be evenhanded

Newly installed EPA chief receives bipartisan support

BY MARK A. HOFMANN

Employers and insurers expect former New Jersey Gov. Christine Todd Whitman to clear the air a bit as she takes the reins at the Environmental Protection Agency.

They expect Ms. Whitman, who last week won Senate approval to head the EPA, to be more willing to listen to business' concerns than was her predecessor, Carol M. Browner. In addition, business interests look for greater flexibility in the administration of environmental programs such as Superfund—an assessment the former Republican governor did nothing to dispel during her confirmation hearing before the Senate Environment and Public Works Committee last month. In fact, she stressed her commitment to promoting voluntary cleanups of contaminated sites and the use of market-based strategies to pursue certain goals.

But even those who most warmly welcome Ms. Whitman's appointment as the EPA head don't expect her to be an unquestioning tool of business. As she noted during her confirmation hearings, while she favors using the carrot of voluntary compliance, she would not hesitate to use the stick of enforcement and penalties to meet environmental goals.

"Her attitude is 'Yes, we do want to keep the country in good shape and we do want to be environmentally sound, but how do we grow? We want to find a middle ground,' " said Billie Fae Fuschi, vice chair of the Risk & Insurance Management Society Inc.'s external affairs team.

"She's not the type of person who is going to be a yes person for Bush, either. She's her own person. If people are worried about her being a puppet, that's not going happen," said Ms. Fuschi, who is director-workers compensation for Methodist Healthcare in Memphis, Tenn.

Ms. Whitman's approach in New Jersey showed an "understanding, clearly, that economic development and business development was an important component" of addressing environmental issues, said Bob Hallenbeck, senior vp-government affairs for environmental risk management and insurance company ECS Inc. in Exton, Pa. "At the same time, she did an excellent job of understanding that, with the environmental situation that New Jersey has, there could have been an imbalance in favor of the business community," he said.

But Ms. Whitman's record in New Jersey suggests that she usually prefers the carrot to the stick when it comes to cleanup. New Jersey's "brownfields" program—which, like other states' programs, focuses on cleaning old industrial sites and restoring them to some sort of use—is among the most successful in the country. According to a study posted on the Northeast Midwest Institute's Web site, 2,431 voluntary cleanup memorandums were signed in 1999 in New Jersey alone, the last year for which data is available. That was a jump of nearly 30% from two years earlier, according to the institute, which is a nonpartisan Washington-based think tank "dedicated to economic vitality, environmental quality and regional equity" for 18 states that stretch from Maine and Maryland across to Iowa and Minnesota, according to the NMI's mission statement.

Although New Jersey's voluntary cleanup program began in 1992—a year before Ms. Whitman

*See **Whitman** on next page*

PHOTO: AFP

The Senate confirmed Christine Todd Whitman last week as EPA administrator.

A formerly polluted Chesapeake, Va., site was cleaned after a company bought it from Birmingham Steel Corp.

Reclamation firms see profit, not risk in pollution sites

By JOANNE WOCJIK

In 1997, Birmingham Steel Corp. of Birmingham, Ala., successfully removed a $2 million environmental liability from its balance sheet by transferring ownership of its polluted site to another company, a novel entity that purchased insurance to pay for any cleanup cost overruns and to ensure that any future first- and third-party liability was covered.

Emsource, the company that assumed liability for cleanup of the site in Chesapeake, Va., is one of a handful of entrepreneurial businesses springing up around the country to provide such a service. Their growth has been fueled by the increasing availability of environmental insurance, according to Bruce Amos, a former managing underwriter at ECS Inc. who formed such a company last September.

These companies that engage in real estate environmental reclamation operate on the simple economic principle—buy low and sell high, explained Mr. Amos, now a partner in Emanon L.L.C. of Irvine, Calif.

"The reason the price of the property is low is because it's

*See **Cleanups** on page 6*

Brokers see green from marketing environmental cover

By SALLY ROBERTS

Seizing what they see as a big opportunity, many brokers have set their sights on the environmental insurance business.

Better education and policies, lower premiums and more-detailed disclosure requirements for corporations have contributed to increased awareness of environmental coverages. At the same time, brokers say environmental liability has become an integral feature of many transactions, from property redevelopment to divestitures, to mergers and acquisitions, creating a need for more environmental consulting services and insurance.

To fill that need, many brokers have recently formed dedicated environmental practice groups staffed by lawyers, engineers, scientists and other experts.

Industry sources say that, due to the technical nature of environmental risks, brokers haven't always had the expertise to address environmental insurance needs.

"In the 10 years that I've been in the environmental insurance business, I've seen more deals messed up because of broker involvement," said Robert Maier, worldwide environmental practice leader for Chubb Corp. in Warren, N.J. "Brokers didn't understand how the policies worked...and they didn't have the people trained to comfortably sit in front of a potential client with a need, understand the need and parlay that into a product in the insurance market."

Dave Dybdahl, founder of the Society of Environmental Professionals in Madison, Wis., said that to succeed in the environmental business, a broker needs experts who understand everything from "an underground storage tank in Florida to a wrap-up on a nuclear bomb plant decommissioning."

"That's where the shortage is," said Mr. Dybdahl, who formerly headed the environmental risk practice for Willis Group Ltd. "There are not many people with that kind of experience in the broker spectrum."

Environmental insurance is "complex and, as a result, brokers' involvement is very, very limited because there are very few individuals in the broker community that really have the knowledge of how to structure these kinds of transactions," said John Theiss, principal of guaranteed business solutions for ARCADIS Geraghty & Miller Inc., an environmental engineering firm in Phoenix.

But that seems to be changing.

"In the last six to eight years, the market leaders have spent a lot of time educating brokers on environmental liability," said Neil Wernick, senior vp-marketing and communications for ECS Inc., an Exton, Pa.-based underwriting manager specializing in environmental coverages. ECS is a wholly owned subsidiary of XL Capital Corp. "We're working more in-depth with brokers than ever before so they can become a greater value to clients. In addition to information, we also continue to provide risk control services to help better manage

*See **Brokers** on page 14*

Inside:

Liability insurance on the rise in the merger & acquisition arena page 12

Directory of environmental risk consultants page 16

Spotlight Editor: Joanne Wojcik

Whitman

Continued from previous page

was elected—her administration pushed for changes that resulted in the Brownfields and Contaminated Site Remediation Act, which she signed into law in 1998. The 1998 act built upon the original voluntary program by adding liability relief from third-party lawsuits for developers and voluntary parties. The act also created several innovative financing programs designed to encourage brownfields development.

Alan Bressler, senior vp of Marsh Environmental Practice in Atlanta and a member of the advisory board of Chicago-based National Brownfields Assn.—a nonprofit association that promotes brownfields development—said that New Jersey's brownfields program has successfully used somewhat innovative financing strategies and is accomplishing its redevelopment goals. But, "on the downside, they haven't done nearly as good a job of marketing and packaging" the reforms to attract more development in the brownfields areas, unlike neighboring Pennsylvania, Mr. Bressler added.

"Brownfields was a very high priority in New Jersey," said John Arlington, assistant vp-federal affairs for the American Insurance Assn. in Washington. He said he believed that such efforts would be a priority for a Whitman-led EPA as well. The notion of brownfields redevelopment "really fills the bill" with regard to balancing environmental and business interests in the matter that has marked Ms. Whitman's tenure in New Jersey, Mr. Arlington said.

Ms. Whitman's environmental approach in New Jersey could ease tensions that often arose between Congress and the Clinton administration over environmental issues, according to some Capitol Hill observers.

"I think it will be a much more productive give and take between Congress and the administration regarding the whole range of environmental matters, particularly in the area of brownfields—that really has been held hostage for political reasons," said Francis D. Bouchard, senior vp and director-federal affairs for Zurich Financial Services Group Inc. in Washington.

"I think her experience will generate some creative, nontraditional approaches to some of these problems. She brings a substantive knowledge of environmental policy that is rare in today's political arena," he said.

"On Superfund, we're hoping that she's going to be a little more flexible," said Keith McCoy, director-environmental quality for the National Assn. of Manufacturers in Washington.

"We'd like to see, hopefully, a reduction of some of the red tape within EPA. We would have high hopes for anybody that would be in that position—what EPA does directly affects what happens with many of our member companies.

"We would like to see that there be more consistency within the EPA regions," he added. The EPA's regional offices do not always interpret regulations in the same manner, and large companies "have trouble kind of figuring out how each region will respond to regulations coming out of the headquarters," said Mr. McCoy.

"Her record indicates she should have a balanced administration," said Ken Schloman, Washington counsel for the Alliance of American Insurers. "I would expect her to take a practical approach in getting problem sites cleaned up as a priority, rather than getting into extended litigation to determine liability. I think we're looking for more flexibility and would certainly urge her to look at the entire program to uncover the systemic flaws that everyone has been talking about since the program's creation. And we would definitely urge her to address these flaws—the liability scheme is one of the primary ones."

"One of the biggest impediments to environmental cleanup has been the lack of consensus on Superfund reform," said Mr. Bressler of Marsh. "To that extent, the administrator has only so much influence she can wield at the end of the day. Getting consensus has been the Achilles' heel of Superfund reform."

The Sierra Club, which opposed Gale Norton, President Bush's choice for interior secretary, issued a statement that called Ms. Whitman's record "mixed," but added that, "on balance, we believe the Sierra Club could work with her" as EPA head. In its statement, the environmentalist group took Ms. Whitman to task for cutting New Jersey's environmental enforcement budget, but praised her for protecting open space in the nation's most densely populated state.

"Whomever the choice, one of the first challenges the next EPA administrator will face is holding General Electric responsible for cleaning up the (polychlorinated biphenyls) they dumped in the Hudson River. From forcing corporate polluters to clean up their messes to advocating smart growth solutions to suburban sprawl, we need an EPA administrator and White House committed to protecting America's environment for our families and for the future," said the group in its statement.

General Electric Co. is currently suing the EPA in federal court over the constitutionality of a portion of the Superfund law that allows the agency to order cleanups without any outside review (*BI*, Dec. 18, 2000). The EPA is ordering GE to clean up PCBs that it legally disposed of in the Hudson River over a 30-year period that ended in the 1970s.

"The big question as to how Ms. Whitman is going to differ depends on whom she surrounds herself with as top deputies at EPA, because I think she's going to be depending a lot on them for policy recommendations," said AIA's Mr. Arlington.

"She turned out not to be a shrinking violet: When she sees an important issue, she really grabs hold of the thing," he said. "I would expect her to be the same thing at EPA."

"In a lot of ways, being the EPA administrator is the most difficult job in the administration, because no matter what you do, there's always somebody complaining about it. For EPA, it's very difficult to declare victory on anything—in the environmental area, the work is never done."

"In a lot of ways, I bet being governor of New Jersey is very similar to that," Mr. Arlington said. BI


Loss Prevention It's nice to know others are looking out for your business's well being. That's why Wausau uses teams of experts from claims, loss prevention, managed care and underwriting to find inventive ways to control your losses. Together, we help identify factors that impact workplace safety and productivity. Then we partner with clients to develop specific solutions that reduce or eliminate those risks. It's how our loss prevention services help keep you out of harm's way.
Wausau Insurance Companies • 2000 Westwood Drive, Wausau, WI 54401 • www.wausau.com • A+ A.M. Best Rating
What can we do to help you?

SPOTLIGHT REPORT

Cleanups

Continued from page 3

contaminated," he said. "What you try to do is get it cleaned up at minimum cost for better reuse. And the new use makes the land more valuable."

"Say, it was used for fuel oil storage, but now it's a shopping center," Mr. Amos said, providing an example. The key, he said, is to "find a site that can be cleaned for higher use."

And while companies such as Emsource and Emanon profit from such deals, the former property owners also benefit, since they can remove the liabilities from their balance sheets.

"An environmental liability looks the same way debt does on a balance sheet. It just has a lot more prickly edges to it," said David Critchfield, president of Portland, Maine-based Emsource.

But transferring the property to a third party that takes responsibility for the cleanup—with the approval of environmental regulators—essentially cancels out that "debt," Mr. Critchfield said.

"We acquire the liability, but the client pays the discounted present value of the expected cost of cleanup," he explained. So, in essence, he said, "they are paying Emsource to take the liability off their hands."

Emsource also finds buyers for properties after they have been cleaned up, and it shares some of the profits with the former owners, Mr. Critchfield said.

Using a dividend system by which Emsource, the cleanup contractor and the former property owner share portions of any greater-than-expected revenue produced by the land sale, "we make sure the client benefits if the property is sold for any valuable currency," he said.

Such deals also can make the property owner's risk manager look good, said Dave Dybdahl, the former head of Willis' global environmental insurance practice and founder of the Society of Environmental Insurance Professionals in Middleton, Wis.

"If a piece of property is being sold, the buyer will always come up with the worst-case cleanup scenario, while the seller will want to take the least-cost scenario," Mr. Dybdahl said.

He gave the example of a $50 million office building that has asbestos that must be removed and that is up for sale. The seller, he said, may get an engineering estimate stating that it will cost $1 million to do the removal, while the buyer will obtain one saying it will cost $5 million.

"How do you bridge the gap?" Mr. Dybdahl asked rhetorically—with insurance, he said.

If the seller can provide a $5 million insurance policy to the buyer, at a premium of $300,000, and puts $1 million into a trust to pay for the cleanup, he said, "it will look like the risk manager added $3.7 million straight to their bottom line."

"The only problem is," Mr. Dybdahl said, "that risk managers are rarely involved in the transaction until it's too late."

The Birmingham Steel for decades operated a "rolling steel mill" on the site that used scrap metal—in this case, old cars—to make new steel. Unfortunately, this recycling process produced waste material called "autofluff," which contains contaminants such as arsenic and lead.

About half of the site, roughly 52 acres, had been tainted by autofluff. As a result, the site was added to the U.S. Environmental Protection Agency's list of polluted landfills under the Resource Conservation and Recovery Act, a law akin to Superfund.

To facilitate the cleanup and liability transfer, Birmingham put $1.5 million into a trust. That amount was about $200,000 more than the $1.3 million cleanup estimate provided by contractors.

Emsource then purchased a commercial property redevelopment policy from Exton, Pa.-based ECS for about $113,000. The policy, Mr. Amos said, would provide $2 million in additional cleanup funds should the cost of the remediation exceed the original estimate. Mr. Amos served as the underwriter on the project.

The CPR policy provides an additional $1 million in first- and third-party liability coverage to pay for any future cleanups should any previously unknown contamination be found on the property or on neighboring properties, for up to five years after the cleanup, Mr. Amos said. The policy also pays should government regulators make cleanup standards more rigorous, necessitating further remediation, Mr. Amos said.

"This is the part that makes CEOs lose sleep," said Mr. Critchfield of Emsource. "Without that insurance program, we couldn't provide the assurance to our client, if additional environmental measures were needed, that there would be funds available to satisfy regulatory requirements."

Fortunately for Emsource, the remediation came in under budget, and Emsource kept the additional funds. Mr. Critchfield declined to say how much under budget the project was.

Since the cleanup, a portion of the site has been sold to ORCA Yachts of Chesapeake, which was named as an additional insured on the CPR policy. The investment bank involved in the ORCA transaction also was added to the policy, and both Emsource and Birmingham Steel will continue to be covered by the policy until it expires in 2002, Mr. Critchfield said. After that, any or all of the parties have the option to renew the liability portion of the coverage, he said.

"I think it's one of those success stories of working with a group to do what's right," said Wynn Calland, director of environmental safety, health and risk management at Birmingham Steel, about the cleanup and liability transfer.

Mr. Calland said that he didn't feel comfortable commenting further.

"I know this type of arrangement has been going on for many years in other industries," he said, but "this is the first time Birmingham Steel has been involved in something like this."

Meanwhile, Emsource is touting the Birmingham Steel cleanup project on its Web site in an effort to attract similar deals. The Web site also is being used to market the remaining 42 unsold acres of the property.

"We just closed a deal in November on a larger site in New Jersey, and several others are in the works," Mr. Critchfield said. "We focus on sites where the client wants to get rid of the liability and there's not much chance the property will sell right away."

On the other side of the country, in Irvine, Calif., Emanon has made two similar deals of its own since Mr. Amos formed the company last September.

"All environmental consulting firms may say they're doing this, and they have for years been taking on the cleanup liability," Mr. Amos said. "But they haven't acquired the property. They're not into owning real estate."

Conversely, companies such as Emsource and Emanon are.

"There are, perhaps, 25 to 50 small and medium-sized companies that are primarily in this business—buying property, cleaning it up and then reselling it with an insurance guarantee," he said. BI

CLEANER GREENER SMARTER STRONGER KEMPER ENVIRONMENTAL

More EPA regulations. Tighter toxic chemical controls. And heaven knows what will turn up in your next real estate purchase or sale. Get more help and higher limits from some of the best minds on the planet.

Kemper. Insurance Companies

INSURANCE FOR TODAY'S WORLD

TRUST • HISTORY • SERVICE

Contact your agent or broker, www.kemperenvironmental.com or 1-800-679-0025.

OPINIONS

EPA chief provides balance

IF THE PAST IS PROLOGUE, former New Jersey Gov. Christine Todd Whitman ought to bring much needed flexibility and balance to the Environmental Protection Agency.

Ms. Whitman, who breezed through Senate hearings before winning confirmation as the new EPA administrator on a 99-to-0 vote, promoted several initiatives in the Garden State that suggest pragmatism rather than ideology will guide the EPA. That's good news for risk managers, for whom the EPA often has ranked just below the Occupational Safety and Health Administration on the list of government agencies they'd just as soon see disappear.

As governor of one of the most heavily industrialized—and heavily polluted—states in the Union, Ms. Whitman stressed a balance of environmental protection and economic development. To further the first goal, she actively promoted saving open space in the country's most densely populated state and took other initiatives to enhance the environmental quality of life.

But in what should be of greater professional interest to risk managers and insurers, Ms. Whitman also actively promoted the restoration and return to economic viability of so-called "brownfields." These are old industrial sites that had been polluted over time and left fallow because of the pollution. Without any incentive to clean up such properties—and the threat that lingering liability for the actions of past owners would pass on to those willing to clean up the brownfield sites—businesses often find that developing these sites does not make economic sense.

Faced with that situation, Ms. Whitman actively supported legislative changes that made it easier for businesses in New Jersey to redevelop brownfields. These included, for example, considering how the site would be used in determining how thorough the cleanup would be, so that an old industrial site that was being redeveloped for industrial uses would not have to be restored to the same pristine condition as for, say, an elementary school. Brownfield redevelopers that voluntarily cleaned up sites in accordance with state environmental regulations and standards could receive "no further action" letters from the state Department of Environmental Protection promising that the state wouldn't sue them to compel additional cleanup.

The reforms provided buyers of polluted sites with much-needed protection from cleanup liability in cases where the purchaser isn't responsible for the pollution.

In addition, the state provided a variety of financial incentives to redevelop brownfield sites. As a result, according to a study by the Northeast-Midwest Institute, more than 2,300 voluntary cleanup memorandums of agreement were signed between the state and redevelopers in 1999.

That's the kind of approach that the EPA could profit from, particularly given its reputation in recent years for inflexibility. New Jersey's experience illustrates that by shucking a "one-size-fits-all" approach to cleanup, a state can achieve its environmental goals. There's no reason that approach wouldn't work on a national level, too.

Does that mean that Ms. Whitman will be a shill for polluters? There's nothing in her record to suggest that, though some environmental groups in her home state faulted her for cutting the state environmental protection agency's enforcement budget during her first term. While she clearly prefers to use the carrot of cooperation to get things done, she has not been afraid to use the stick of enforcement when justified.

Unfortunately, there's also nothing in her record that would suggest support for wholesale reform of Superfund's flawed liability system. Instead of pushing for repeal of the federal cleanup law's imposition of retroactive liability, Ms. Whitman appears more likely to pursue incremental reform. But if that includes reforming remedy selection on the federal level to the same extent it was reformed in New Jersey, that alone would be a significant move toward balance and flexibility that has too often been lacking at the EPA.

Given her record, we fully expect Ms. Whitman to pursue a complementary philosophy of "commonsense conservation" as head of the EPA.

Don't overreach on tort reform

TORT REFORM ADVOCATES had understandably high hopes for a Bush administration. After all, as governor of Texas, Mr. Bush won a reputation as a proponent of civil justice reform. There was no reason to believe that his philosophy would change once he entered the White House, thus paving the way for the reform long sought by business.

But while there is no evidence that the president's thinking has changed, changes at the other end of Pennsylvania Avenue—particularly in the Senate—make it clear that reform advocates must keep their expectations modest and limited, or risk accomplishing nothing in the 107th Congress.

As we report elsewhere in this issue, even longtime advocates of comprehensive tort reform are scaling back their expectations, and for good reason. The Senate—where each party holds 50 seats, some of which previously were held by pro-reform lawmakers defeated in the November elections—simply isn't as disposed toward tort reform as it was a few months ago. Any reforms will have to start out with significant bipartisan support to have any chance of success.

For example, the idea that certain class-action lawsuits involving defendants and plaintiffs from a number of states should be heard in federal rather than state court already enjoys a degree of bipartisan support. Such a modest reform, clearly aimed at preventing so-called "forum shopping," whereby attorneys seek to identify the friendliest possible state courts in which to file lawsuits involving a nationwide class of plaintiffs, might pass muster with lawmakers. However, a more sweeping change, such a "loser pays" rule that would allow a defendant to sue a losing plaintiff to recover defense costs, likely wouldn't.

It's understandable why some reform advocates, seeing a pro-reform president in the White House for the first time in eight years, may be tempted to go for broke. But given the new legislative reality, any temptation to overreach must be resisted.

Otherwise, there's a real possibility that the proponents of reform will end up with nothing more than a handful of air.

Business Insurance®

Reporting weekly on corporate risk, employee benefit and managed health care news

Vice President/Publisher: Martin J. Ross III *(New York)*
Vice President/Publishing Director: Kathryn J. McIntyre, ARM *(Chicago)*

Editor: Paul D. Winston *(Chicago)*

Editor-at-Large: Jerry Geisel *(Washington)*
Managing Editor: Regis J. Coccia *(Chicago)*
Assistant Managing Editor - Graphics: Kathy L. Barnes *(Chicago)*
Senior Editors: Meg Fletcher, ARM *(Chicago)*; Judy Greenwald *(San Jose)*; Mark A. Hofmann *(Washington)*; Dave Lenckus *(Tucson)*; Douglas McLeod *(New York)*; Joanne Wojcik *(Denver)*; Rodd Zolkos *(Chicago)*
Bureau Chiefs: Roberto Ceniceros *(Los Angeles)*; Gavin Souter *(New York)*; Edwin Unsworth *(London)*
Associate Editors: Michael Bradford *(New Orleans)*; Michael Prince *(New York)*; Sally Roberts *(Denver)*; Sarah Veysey *(London)*
Staff Reporter: Lee Fletcher *(Chicago)*
Copy Desk Chief: Matt Scroggins *(Chicago)*
Copy Editors: Dermot Connolly *(Chicago)*; Mary B. Nick *(Chicago)*; Joe Walker *(Chicago)*
Directory Editor: Kevin P. Edison *(Chicago)*
Assistant Directory Editor: Michel Schwartz *(Chicago)*
Assistant Graphics/Online Editor: Amy R. Kepka *(Chicago)*
Editorial Assistant: Shirley Henry *(Chicago)*
Assistant to the Publishing Director: Karen Brown Tucker *(Chicago)*
Editorial Cartoonist: Roger Schillerstrom *(Chicago)*

Midwest Advertising Manager: Robert L. Niesse *(Chicago)*
Eastern Advertising Manager: Blake Delany *(New York)*
District Managers: Chris Crain *(New York)*; Karen Cosco *(New York)*; Robert B. Murray *(New York)*; Jennifer Powers *(Boston)*
Classified Advertising Manager: Irais Amleshi *(Chicago)*
Sales Assistant: Lori Lieberman *(Los Angeles)*
Assistant to the Publisher: Pat Ghazvini *(New York)*
Advertising Traffic: Stephanie Cress *(New York)*
Production Manager: Cheryl Magiera *(Chicago)*

Director of Communications: Ronnie I. Drachman *(New York)*

EDITORIAL:	Chicago:	312-649-5398
	Denver:	303-698-7601
	London:	207-457-1400
	Los Angeles:	323-370-2455
	New Orleans:	504-364-1908
	New York:	212-210-0100
	San Jose:	408-774-1500
	Tucson:	520-579-1937
	Washington:	202-662-7200
ADVERTISING:	Chicago:	312-649-5276
	New York:	212-210-0228
	Los Angeles:	323-370-2456
COMMUNICATIONS:	New York:	212-210-0132
SUBSCRIPTIONS:	Detroit:	888-446-1422

Business Insurance is published by Crain Communications Inc.

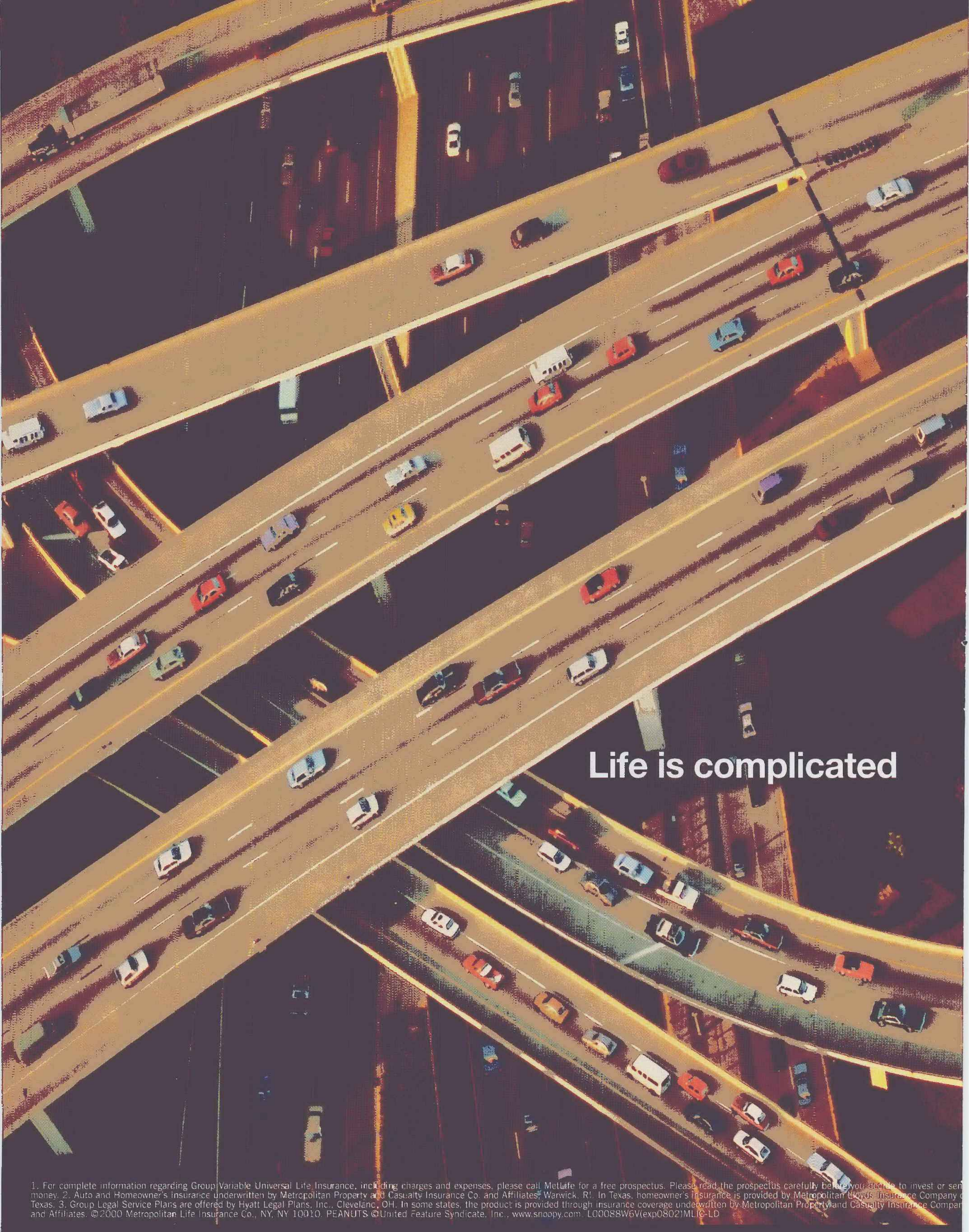
Keith E. Crain, **Chairman**
Rance Crain, **President**
Merrilee Crain, **Secretary**
Mary Kay Crain, **Treasurer**
William A. Morrow, **Executive Vice President/Operations**
Robert C. Adams, **Group Vice President/Technology, Circulation, Manufacturing**
Peter Johnson, **Vice President/Circulation**

G.D. Crain Jr., *Founder (1885-1973)*
Mrs. G.D. Crain Jr., *Chairman (1911-1996)*
S.R. Bernstein, *Chairman-executive committee (1907-1993)*

Published weekly at 740 N. Rush St., Chicago, Ill. 60611-2590, Fax 312-280-3174, E-mail: biweb@crain.com, Offices: 711 Third Ave., New York, N.Y. 10017-5806, Fax 212-210-0704, CRAIN COM NYK; 473 Fairfield Ave., Gretna, LA 70056, Fax 504-364-1337; Suite 814, National Press Building, Washington, D.C. 20045-1801, Fax 202-638-3155; 6500 Wilshire Blvd., Suite 2300 Los Angeles, Calif. 90048-4947, Fax 323-655-8157; 967 Bermuda Court, Sunnyvale, Calif. 94086-6750, Fax 408-774-1155; New Garden House, 78 Hatton Garden, London EC1N 8LD England, Fax 207-457-1440; 8157 N. Torrey Way, Tucson, Ariz. 85743, Fax 520-579-3476; 777 E. Speer Blvd., Denver, Colo. 80203-4214; Fax 303-733-2244. $4 a copy and $95 a year in U.S. $114 in Canada and Mexico (includes GST). All other countries $215 a year (includes expedited air delivery). DON MIERENDORF, circulation manager. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207-3185, or phone 888-446-1422 or 313-446-0450, Fax 313-446-6777. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For reprints or reprint permission contact: KAREN BROWN TUCKER, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, 312-649-5319, Fax 312-280-3174.

www.businessinsurance.com

TO SUBSCRIBE CALL 888-446-1422 • 313-446-0450 outside of the United States



Group Universal Life • Group Variable Universal Life[1] • Group Accidental Death & Dismemberment • Group Dental


MetLife is easier
The type of voluntary benefits a company offers can go a long way toward attracting and retaining employees.
And with 130 years' experience, no one is better at helping you provide them than MetLife.
MetLife can deliver benefit solutions that meet employees' diverse needs—and minimize administrative burden and costs. We offer end-to-end guidance, from education and enrollment to ongoing administration.
Whether you reach us online or by phone, our communication and administrative support make it easier to manage voluntary benefits and provide faster answers for employees.
To learn more, call MetLife or visit our website.
made easy.
MetLife® Voluntary Benefits
www.metlife.com/business
1-877-METBtoB
1-877-638-2862

Policies can help companies clean up balance sheets

By LEE FLETCHER

Environmental liability insurance has evolved. What was once solely a risk management tool has become a broader business resource, as corporations look to insurance for balance sheet protection.

The disclosure of environmental liabilities has become important to potential investors in publicly traded companies, said James A. Thompson Jr., an attorney with LeBoeuf, Lamb, Greene & MacRae L.L.P. in Hartford, Conn., and chairman of the law firm's worldwide environmental health and safety practice.

"The information on environmental risks and exposures, both existing and forward-looking, that companies may have could obviously impact value of stock," Mr. Thompson said.

In the current environment of consolidation, he said, a company must have as attractive a balance sheet as possible. "Having ways to manage these risks with some of these less traditional approaches, like using environmental insurance, we've found to be very attractive for (merger) candidates," Mr. Thompson said.

Some interest in environmental liability insurance stems from relatively recent changes in financial reporting requirements. In December 1996, the Securities and Exchange Commission, along with the Financial Accounting Standards Board, required that publicly traded companies gauge their environmental liabilities in their financial statements.

'Environmental insurance policies...can cover unknown conditions. The fear of the unknown is always a fear, not only for the current owner but...a buyer,' says ECS' Anthony Gentile.

"Basically, the regulations say that, to the degree that you know what your environmental liabilities are, you must assess a range to those environmental liabilities," said Jeffrey B. Gardner, global director of business development and senior vp at Marsh Inc. in New York.

Mr. Gardner said, though, that a company would "need to post only the low end of your range of potential environmental liabilities, as you become aware of them."

Joe Boren, president and chief executive officer at AIG Environmental, a division of American International Group Inc. in New York, said some corporations have claimed that the environmental liabilities on their balance sheets have kept their stock prices stagnant, hampered their ability to obtain financing and made them unattractive to potential suitors. Consequently, many of these companies have sought to shed those liabilities.

"They said, 'Wouldn't it be great if you could get your environmental liabilities off your balance sheet?'" Mr. Boren said.

Insurers have aided such efforts by offering a variety of environmental liability policies.

To purchase the proper coverage, a company must first identify all of its environmental exposures, said Anthony Gentile, senior underwriter with environmental consulting and insurance company ECS Inc.'s risk management unit in Exton, Pa.

"If an organization has numerous facilities throughout the country and they're working with various types of chemicals, they need to identify what are the potential risks on an environmental standpoint. What's the potential for releases and spills? What are issues that they currently know about, as far as cleanup, at a particular location? An ongoing, active auditing process is very important to bring these types of exposures up to date," Mr. Gentile said.

Environmental coverage has become an effective way to cope with balance sheet concerns, he said.

"Environmental insurance policies can cover numerous things. They can cover the known conditions that are either in the process or will be in the process of remediation. We can cover unknown conditions. The fear of the unknown is always a fear, not only for the current owner but...a buyer," Mr. Gentile said.

Mr. Boren said that AIG has been able "to create large environmental programs, which our clients think builds a pretty good concrete wall around environmental liabilities, so that they can say to their shareholders, 'We understand our environmental liabilities.'"

He said that protection is often sold on a portfolio basis. "What many companies would like to do is to bundle it, so they can deal with all of their environmental liability at one time....If they have 15 sites, they often want a program that deals with all 15 sites," Mr. Boren said.

Insurance for environmental risks helps companies achieve other business goals as well.

Secured creditor policies, for example, have been created to facilitate financing deals, Mr. Gardner said.

"They're designed to allow lenders to make their portfolio of properties or an individual deal a true banking transaction—and not an environmental transaction. They don't have to take the risk,"

See **Financial** *on page 14*

IT'S A DIRTY JOB BUT SOMEBODY'S GOT TO DO IT.

Put our underwriting talent to work to meet your toughest environmental coverage needs.

- Contractor and Consultant Coverage
- Pollution Control Device Coverage
- Site-Specific Pollution Liability
- Association and Program Business is Accepted

Have your broker give us a call.

GENERAL STAR®

Our specialty is your security

www.generalstar.com

A.M. Best Rating
A++ XV

Specialty underwriting through appointed surplus lines brokers. For a list of brokers in your area, call General Star Management Company, Stamford, CT (203) 328-5700, ext. 5985, or fax your request to: (203) 328-5840.

Atlanta • Chicago • Los Angeles • New York • Stamford

Financial

Continued from page 14

he said.

Mr. Boren said that, because much more is known today about cleanup techniques, "you can reasonably get to a (cost) number that makes you comfortable. Then it allows the company to go out to the shareholders and say, 'My stock should be worth more,' or talk to a bank and say, 'You should be able to do financing for me, because I've got this thing under control.'"

Robert W. Teets, vp-environmental affairs and risk management at Cooper Industries Inc., an international manufacturer in Houston, said that the advantage of these insurance programs is that they allow a buyer and a seller to expedite their deal.

"They can set aside what can be confusion over the known and unknown liabilities and yet provide adequate protection for both the buyer and the seller through a financial vehicle," he said.

Mr. Teets said he is familiar with policies with coverage that ranges from $3 million to $50 million, for either an individual property or for an entire business.

"I think it's really best when both the seller and the buyer self-retain a portion of that liability, and that's what makes the product more reasonably priced," Mr. Teets said.

Perhaps because it can provide such diverse benefits, environmental coverage is becoming more common.

"I think others will tell you that there's probably a billion and a half dollars of environmental insurance being placed every year, and it's growing. It grows in the double digits," said Mr. Boren of AIG.

"It's not just to make yourself look clean on a balance sheet," said LeBoeuf's Mr. Thompson. "It's also a way to make deals happen where in the past they might not have happened." BI

Brokers

Continued from page 3

the risk."

Joe Boren, president and chief executive officer of AIG Environmental in New York, a unit of American International Group Inc., said the most important factor in broker expansion in this area "is the awareness of how to use an insurance product to solve environmental and financial problems."

"Companies like ours and others have spent a lot of time in the marketplace educating on the use of these products. Four years ago, you never would have used an environmental insurance policy in a merger or acquisition. Today, it's used a lot," he said.

Industry sources estimate the total premium volume of the environmental insurance market at $1 billion to $1.5 billion. Still, Mr. Dybdahl said, that's less than 5% of the potential market. "The total premium potential for environmental insurance should look like the total reserve for environmental cleanup costs in the U.S., and that's a number in the hundreds of billions of dollars," he said.

To tap that market, many brokers are following the lead of London-based Willis. In the late 1980s, Willis started the "multidisciplinary approach," establishing the first dedicated environmental practice group among brokers, staffed with professionals from the insurance, financial, scientific, engineering and legal fields.

"We've always taken a multidisciplinary approach to environmental insurance business," said Ken Ayers, CEO of Willis' environmental practice. "We felt that, with the complexity and because every project has components of a regulatory nature, legal nature, financial nature and technical nature, that the only way to address (environmental needs) was in a comprehensive way."

Willis' environmental practice unit is staffed with about 100 people around the world, Mr. Ayers said.

The premium potential for environmental insurance should resemble 'a number that's in the hundreds of billions of dollars,' says the SEIP's David Dybdahl.

Among brokers, New York-based Marsh Inc. may be making the biggest move into the area. In the past year, the broker added 90 people to its environmental practice unit.

"We've hired not only traditional environmental insurance brokers but also environmental and real estate lawyers, engineers, environmental consultants and geologists," said Gregg Bundschuh, managing director of Marsh's environmental practice. "The most effective delivery system in terms of expertise is an integrated approach to environmental situations."

Marsh's big push into the environmental arena was partly a reaction to customers' demands for better and more comprehensive services and solutions in addition to traditional policy expertise, Mr. Bundschuh said.

"The nature of environmental issues and liability is so complex and technical enough that if we didn't have the legal and engineering capabilities, it would be pretty hard to translate that to an insurance solution," he said.

Aon Corp. also is strengthening its environmental capabilities.

"Client demand is at an all-time high, which is causing us to go out and push the envelope" with traditional as well as alternative solutions, said James Cox, managing director of Aon's environmental group in New York. Mr. Cox was hired six months ago to build Aon's environmental staff on a national and international basis. Aon now has 20 dedicated environmental professionals from a variety of backgrounds.

"Environmental insurance has become much more of a business tool in application," Mr. Cox said. "It's not just the risk management department that is looking for our solutions. Interest is coming from CFOs, corporate counsel, project managers, environmental engineers—all those involved in a particular transaction."

Because 60% to 70% of Aon's environmental business is now derived from transactions, "we've hired skilled people who can sit down with a CFO, people who can put on the lawyer hat and understand complex law, and engineers who understand environmental issues," he said. Brokers today need "the business acumen to talk to a variety of buying influences," he said.

Just as the world's largest brokers want to take advantage of the opportunities in the environmental market, regional brokers also want a piece of the pie. They may not be able to afford multidisciplinary staffs, but many have established dedicated units and either use the environmental services insurers offer or subcontract for the expertise they need.

"Given the changes, expansion, availability and price of environmental insurance, we recognized a tremendous opportunity, as a middle-market broker, to introduce environmental insurance to a very large and essentially untapped middle-market client base," said John J. Butler, vp in charge of Kaye Environmental, a division of Kaye Insurance Associates, the retail brokerage arm of New York-based regional broker Kaye Group Inc.

The broker built a dedicated environmental unit just over two years ago, in part to meet the needs of its real estate owner and developer clients, Mr. Butler said.

"We essentially tripled our business over the past year, and we're looking forward to additional growth along those lines," he said. "Our job is to get into the world and advise customers that their environmental risks can be dealt with."

Kaye Environmental has only three dedicated environmental producers, but "we take full advantage of the services provided by insurers," Mr. Butler said. "We work hand in glove with insurers to put a package together."

Another regional broker, McGriff, Seibels & Williams Inc., also sees an opportunity to sell environmental insurance.

"We had, historically, written a lot of agricultural, chemical and fertilizer accounts, all of which have environmental exposures," said Dan Lyles, senior vp of the Birmingham, Ala.-based broker. About four years ago, the broker realized that environmental coverage was a growing concern not only for McGriff, Seibels' customers but also for other businesses.

"We realized that it was something that we needed to move further and further into," Mr. Lyles said. The broker also recognized that it would "require a particular amount of expertise and knowledge," he said.

Two environmental producers were already on staff, and the broker hired a college graduate with a chemical engineering degree and a former risk manager from an industry with heavy environmental exposure.

Similarly, Brad Maurer, a former underwriting manager at Kemper Environmental, decided to enter the brokerage world when he noticed that few brokers, aside from the largest ones, had invested heavily in environmental practice groups. But instead of joining one of the large brokers, Mr. Maurer convinced New York-based regional broker Frenkel & Co. Inc. to invest in a new environmental practice.

Since joining Frenkel in December 1999, Mr. Maurer, a senior vp, has organized a separate division called Frenkel Environmental Risk Services, and hired a staff of six former environmental underwriters and consultants.

So far, Frenkel's environmental unit has bound about 60 policies—50% of them within the last three months, he said. "Our future prospects over the next three years are pretty high growth." BI

Organization touts environmental liability coverages

MIDDLETON, Wis.—A new organization has been formed to spread the word about environmental insurance as a risk financing tool.

"We're trying to expand the knowledge base of all users of environmental insurance," said David Dybdahl, former global environmental practice leader for Willis Corroon Corp. Mr. Dybdahl formed the Society of Environmental Insurance Professionals last year and is just now starting to promote it via direct mail and a Web site. "It's an extremely underutilized product," he said.

Mr. Dybdahl estimates that less than 5% of this year's environmental cleanup costs worldwide will be insured, even though at least 140 environmental insurance policies are available on the market. And the $1.5 billion in premium that insurers have collected for these policies this year is just a fraction of the $100 billion in premiums they could collect if they sold more policies, he said.

Mr. Dybdahl said he is surprised that more agents and brokers haven't been sued by policyholders for their failure to find coverage for their environmental risks, considering that the policies have been available since the mid-1980s, when insurers added pollution exclusions to general liability insurance policies.

"I was on the team that arranged the insurance on the cleanup of Chernobyl, the (Department of Energy) nuclear weapons facilities at Hanford, Wash., and Oak Ridge, Tenn. We were oversubscribed on all of these projects. When I hear some say they could not find appropriate environmental insurance, I ask them, 'What do they have that is worse than Chernobyl?' "

"The reason they could not find insurance is almost always a defective search conducted by a producer with no experience and no training in environmental insurance," he said. The SEIP's objective is to provide that education, he said.

"The (Web) site is being built to be a working tool," he said, adding that it will develop as new information about environmental insurance becomes available. "Pieces are being added every day. It's a constant work in progress."

And, he said, "if you can't find it on the site, just send an e-mail to the Web master, who will pass it on to a human researcher."

The site can also search for policies even if the user doesn't know their exact titles.

"All of the carriers' policy forms are on the Internet now, but there's no standardization in the policies," he said. For example, while one insurer may call its policy an "environmental compensation and liability insurance policy," another may call it a "pollution legal liability policy." So, if a searcher were to look for the policies using an ordinary Internet search engine, one or the other may come up but probably not both, Mr. Dybdahl said.

"There's a need for subject matter experts to get all the information to come up, regardless of what the policies are called," he said.

So far, the organization, which operates as a non-profit, has about 100 members, all of whom work with environmental insurance in some capacity, Mr. Dybdahl said. Members include engineers, contractors, lawyers, insurance agents, brokers and underwriters. Annual dues are $225 and include newsletters and access to the Web site.

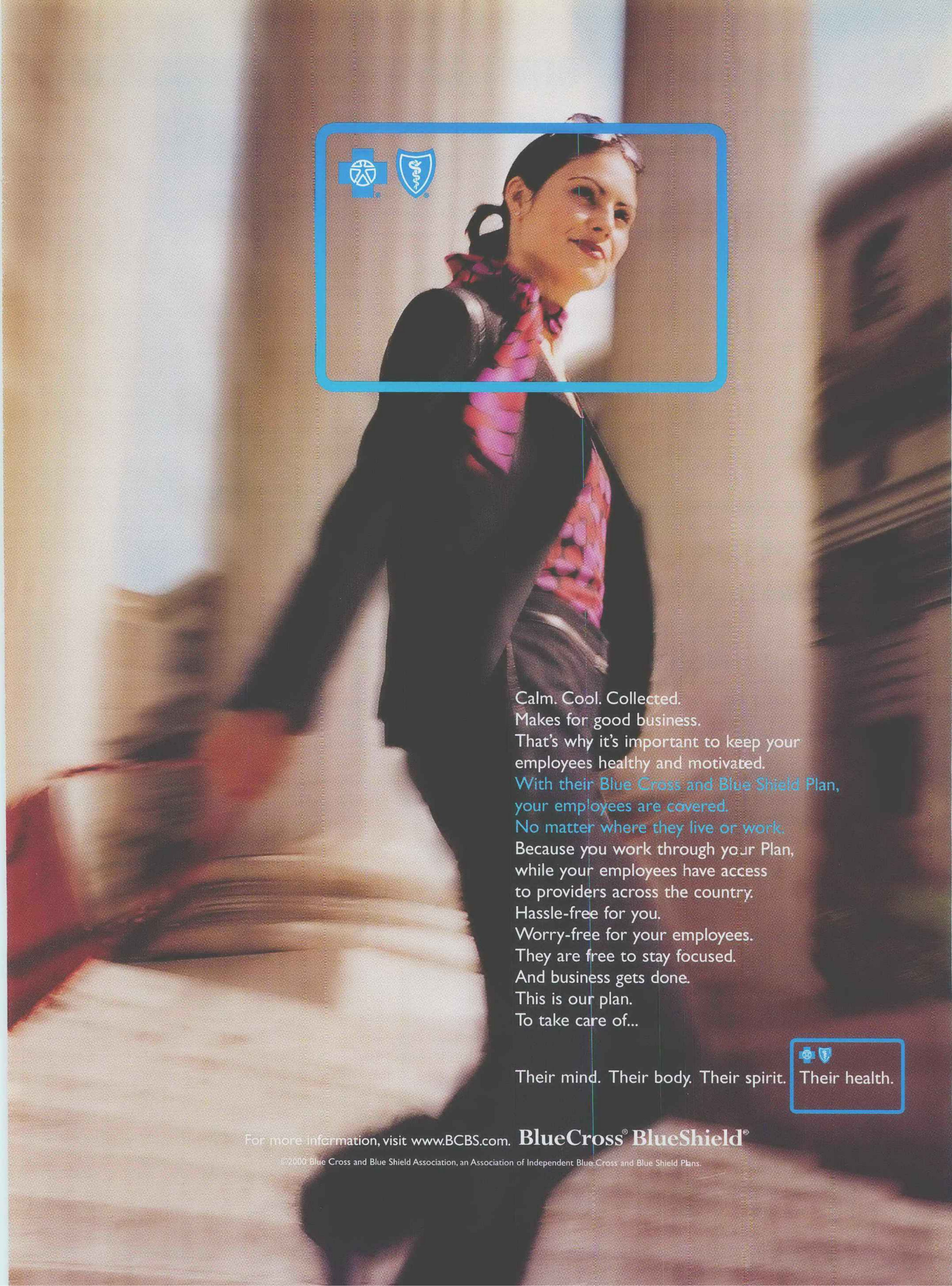
Mr. Dybdahl has specialized in environmental insurance since 1980, when he worked as a risk management consultant with Denver-based Johns Manville Corp. on its asbestos litigation and, ultimately, its bankruptcy filing.

Afterward, he served as global environmental practice leader for broker Corroon & Black, continuing in the job after Willis acquired the company in 1990. He left in 1999 to begin the development of the SEIP. During 2000, he briefly returned to insurance brokerage work as an environmental specialist at Aon Corp. This January, he left Aon to return to full-time work at the SEIP.

More information about the SEIP is available at *www.armr.net*.

—*By Joanne Wojcik*

The SEIP's Web site, www.armr.net, offers environmental risk management information and other resources.


Calm. Cool. Collected.
Makes for good business.
That's why it's important to keep your
employees healthy and motivated.
With their Blue Cross and Blue Shield Plan,
your employees are covered.
No matter where they live or work.
Because you work through your Plan,
while your employees have access
to providers across the country.
Hassle-free for you.
Worry-free for your employees.
They are free to stay focused.
And business gets done.
This is our plan.
To take care of...
Their mind. Their body. Their spirit.
Their health.
For more information, visit www.BCBS.com.
BlueCross® BlueShield®
©2000 Blue Cross and Blue Shield Association, an Association of Independent Blue Cross and Blue Shield Plans.

BI's directory of environmental consultants

A

AMEC Earth & Environmental*

221 18th St. S.E.,
Calgary, Alberta T2E 6J5;
403-235-8127; fax: 403-569-9031
www.amec.com

Services: real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, environmental safety consulting, ecological risk assessment, preparation of permits, environmental site assessment, hazard and risk analysis.

Other services: environmental consulting to insurers and public policymakers, general risk management consulting, asbestos and lead management, industrial hygiene.

Staff: 2,000 total.

Clients: 22 environmental consulting clients; 13 corporate/institutional clients.

Industries served: manufacturing, mining, oil and gas.

Service area: worldwide.

Compensation: by the hour.

2000 gross revenues: $136,000,000** total, 5% from unbundled environmental risk management consulting directly to corporations and institutions.

Officers: Roger Jinks, president; Jim Beechinor, executive vp; Les Panek, senior vp.

Contact: Les Panek; les.panek@amec.com.

* *Formerly AGRA Earth & Environmental*
***Converted at Canadian dollar = $0.68; fiscal year ending July 31.*

Aon Environmental Group

2 World Trade Center,
New York, N.Y. 10048;
212-441-2480; fax: 212-432-0512
www.aon.com

Services: litigation support, regulatory and public policy analysis, environmental safety consulting.

Other services: environmental consulting to insurers and public policymakers, general risk management consulting, asbestos and lead management, industrial hygiene.

Staff: 20 environmental professionals.

Clients: 2,500 environmental consulting clients; 350 corporate/institutional clients.

Industries served: financial, mergers and acquisitions, real estate.

Service area: worldwide.

Compensation: by the project; on retainer; by the hour: $150 to $350.

2000 gross revenues: $15,000,000 total, 100% from unbundled environmental risk management consulting directly to corporations and institutions.

Officers: James Cox, Tom Rodell, managing directors; Kenn Anderson, David Bennink, senior consultants.

Contact: James Cox, james_cox@ars.aon.com; Tom Rodell, 312-701-4409, tom_rodell@ars.aon.com.

Apex Environmental Inc.

15850 Crabbs Branch Way, Suite 200,
Rockville, Md. 20855;
301-417-0200; fax: 301-975-0169
www.apexenv.com

Services began: 1988.

Services: real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, environmental safety consulting, emergency response training, ecological risk assessment, preparation of permits, environmental site assessment, hazard and risk analysis.

Other services: remediation activities, UST management and removal, environmental consulting to insurers and public policymakers, general risk management consulting, asbestos and lead management, industrial hygiene.

Staff: 147 total; 7 environmental professionals.

Clients: 200 environmental consulting clients; 100 corporate/institutional clients.

Industries served: financial, manufacturing, property management.

Service area: worldwide.

Compensation: by the project; on retainer.

2000 gross revenues: $24,500,000 total, 15% from unbundled environmental risk management consulting directly to corporations and institutions.

Officers: Peter T. Young, president/CEO; Vincent N. DiRenzo Jr., vp/COO; Shannon K. Winston, treasurer/secretary/corporate controller.

Contact: Mary Jane Arnold, manager-business development; mjarnold@apexenv.com.

ARCADIS Geraghty & Miller

630 Plaza Drive, Suite 200,
Highlands Ranch, Colo. 80129;
720-344-3500; fax: 720-344-3535
www.arcadis-us.com

Services began: 1957.

Services: real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, litigation support, public health risk assessment, ecological risk assessment, preparation of permits, environmental site assessment, hazard and risk analysis.

Other services: remediation activities, environmental consulting to insurers and public policymakers, general risk management consulting, asbestos and lead management, industrial hygiene.

Staff: 1,800 total.

Clients: 7,000 environmental consulting clients; 493 corporate/institutional clients.

Industries served: chemical, manufacturing, transportation.

Service area: worldwide.

Compensation: by the project.

2000 gross revenues: $258,000,000 total, 2.4% from unbundled environmental risk management consulting directly to corporations and institutions.

Officers: Joe Hastey, CEO; Mike Myers, COO; John Chouinard, CFO.

Contact: arcadisgm@arcadis-us.com.

C

Clayton Group Services Inc.

41650 Gardenbrook Road, Suite 155,
Novi, Mich. 48375;
248-344-8550; fax: 248-344-0229
www.claytongrp.com

Services began: 1954.

Services: real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, environmental safety consulting, emergency response training, ecological risk assessment, preparation of permits, environmental site assessment, hazard and risk analysis.

Other services: remediation activities, environmental consulting to insurers and public policymakers, general risk management consulting, asbestos and lead management, industrial hygiene.

Staff: 444 total; 302 environmental professionals.

Clients: 2,641 environmental consulting clients; 2,500 corporate/institutional clients.

Industries served: commercial real estate, insurance, manufacturing.

Service area: nationwide, Canada.

Compensation: by the project; on retainer; by the hour: $90 to $250.

2000 gross revenues: $58,900,000 total, 82% from unbundled environmental risk management consulting directly to corporations and institutions.

Officers: Thomas Kowalski, president/CEO; Mark Schumacher, vp/CFO; Lisa Simpkins, vp/COO.

Contact: David Matthews, vp/director-national accounts; 770-499-7500; dmatthews@claytongrp.com.

D

DPRA Environmental

332 Minnesota St., Suite E-1500,
St. Paul, Minn. 55101;
651-227-6500; fax: 651-227-5522
www.dpra.com

Services began: 1979.

Services: real estate audits, manufacturing plant audits, design and analysis of remediation plans, litigation support, regulatory and public policy analysis, preparation of permits, environmental site assessment.

Other services: remediation activities, UST management and removal, environmental consulting to insurers and public policymakers, general risk management consulting, asbestos and lead management.

Staff: 150 total; 40 environmental professionals.

Clients: 150 environmental consulting clients; 100 corporate/institutional clients.

Industries served: financial, insurance, legal.

Service area: nationwide.

Compensation: by the hour: $50 to $180.

2000 gross revenues: $20,000,000 total, 25% from unbundled environmental risk management consulting directly to corporations and institutions.

Officers: Dick Seltzer, president/CEO; Chris Lough, Tony Montrone, senior vps.

Contact: Carol Sarnat, principal.

E

ECM/Hudson Maritime Services L.L.C.

64 Danbury Road,
Wilton, Conn. 06897;
203-761-6030; fax: 203-761-6085
www.ecmhudson.com

Services began: 1990.

Services: litigation support, public health risk assessment, environmental safety consulting, emergency response training, ecological risk assessment, environmental site assessment, hazard and risk analysis.

Other services: environmental consulting to insurers and public policymakers, general risk management consulting.

Staff: 18 total; 2 environmenta professionals.

Clients: 10 environmental consulting clients; 5 corporate/institutional clients.

Industries served: maritime, shipping.

Service area: nationwide.

Compensation: by the project; on retainer; by the hour: $75 to $250.

2000 gross revenues: $2,000,000 total, 25% from unbundled environmental risk management consulting directly to corporations and institutions.

Officers: Harold J. Halpin, chairman; Michael F. Minogue, president/CEO; William Thomas, CFO.

Contact: ecmwilton@ecmhudson.com.

ECS Risk Control Inc.

520 Eagleview Blvd., P.O. Box 636,
Exton, Pa. 19341-0636;
800-327-1414; fax: 610-458-7285
www.ecsinc.com

Services began: 1985.

Services: real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, environmental safety consulting, emergency response training, ecological risk assessment, preparation of permits, environmental site assessment, hazard and risk analysis.

Other services: environmental consulting to insurers and public policymakers, general risk management consulting, asbestos and lead management, industrial hygiene.

Staff: 89 total; 40 environmental professionals.

Clients: 40 environmental consulting clients; 30 corporate/institutional clients.

Industries served: construction, manufacturing, transportation.

Service area: nationwide, Europe.

Compensation: by the project; on retainer; by the hour: $75 to $250.

2000 gross revenues: $12,550,000 total, 10% from unbundled environmental risk management consulting directly to corporations and institutions.

Officers: William Kronenberg III, president/CEO; James F. Splain, senior vp; Marc Halpern, vp.

Contact: James F. Splain; Marc Halpern.

EMG

11011 McCormick Road,
Hunt Valley, Md. 21031;
800-733-0660; fax: 410-785-6220
www.emgbalt.com

Services began: 1986.

Services: real estate audits, environmental site assessment.

Other services: remediation activities, UST management and removal, environmental consulting to insurers and public policymakers, general risk management consulting.

Staff: 151 total; 22 environmental professionals.

Clients: 799 environmental consulting clients; 794 corporate/institutional clients.

Industries served: banks, investors, property managers.

Service area: nationwide.

Compensation: by the project; by the hour: $125.

2000 gross revenues: $18,500,000 total, 46% from unbundled environmental risk management consulting directly to corporations and institutions.

Officers: Hank Post, CEO; Michael Logsdon, president; Anne Corell, COO.

Contact: client services department.

Ecology & Environment Inc.

368 Pleasant View Drive,
Lancaster, N.Y. 14086-1397;
716-684-8060; fax: 716-684-0844
www.ene.com

Services began: 1970.

Services: real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, environmental safety consulting, emergency response training, ecological risk assessment, preparation of permits, environmental site assessment, hazard and risk analysis.

Other services: UST management and removal, environmental consulting to insurers and public policymakers, asbestos and lead management, industrial hygiene.

Staff: 800 total; 650 environmental professionals.

Clients: 35 environmental consulting clients; 35 corporate/institutional clients.

Industries served: chemical, energy, manufacturing.

Service area: worldwide.

Compensation: by the project; on retainer; by the hour.

2000 gross revenues: $85,900,000 total, 34% from unbundled environmental risk management consulting directly to corporations and institutions.

Officers: Gerhard J. Neumaier, president/chairman; Frank B. Silvestro, executive vp; Ronald L. Frank, executive vp/secretary/treasurer.

Contact: George Rusk.

Environmental & Occupational Risk Management Inc. (EORM)

283 E. Java Drive,
Sunnyvale, Calif. 94089;
408-822-8100; fax: 408-822-8001
www.eorm.com

Continued on page 18

Explanation of terms

The 12th annual directory of environmental risk management consultants lists companies' responses to a *Business Insurance* questionnaire.

The directory is published as an editorial service; there is no charge to be included. However, consultants must offer services directly to corporate and institutional clients on an unbundled basis; companies that offer environmental risk management consulting only in conjunction with other products and services or solely to insurance companies, lawyers and financial institutions are not included.

In addition, companies must generate at least $250,000 in annual revenues from unbundled environmental risk management consulting and must report revenues to be included.

Listings begin with the **name** and **address** of the company, the year environmental **services began** and **parent** company, if any.

Detailed under the **services section** are the environmental risk management consulting services the company provides; any **other services** the company provides also are listed. The abbreviation "UST" has been used for underground storage tanks.

Information on **staff** is provided next, including total staff and the number of professional staff members assigned exclusively to environmental risk management consulting. Also listed is the total number of **clients,** along with the number of corporate and institutional clients in 2000.

If the company specializes in consulting to particular types of business or industry, the **industries served** are noted.

Listed next is the company's **service area.** In addition, information on **compensation**—how the company bills for services—is provided.

Also provided is information on the company's **2000 gross revenues** and the percentage of revenue derived from providing direct, unbundled environmental risk management consulting services to corporations and institutions.

Names and titles of principal **officers** and the name of a **contact** for readers interested in more information complete each listing.

Although every effort is made to publish complete and accurate information, *BI* is unable to verify all information provided by the companies.

If you did not receive a questionnaire this year and would like to be included in next year's directory, please contact the *BI* directory department at 312-649-5279.

Agent/Broker Topics

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

INSIDE:

New administration giving insurance industry reasons for optimism
page 16B

Anticipating market opportunities of trade deal with Singapore
page 16F

Foreign markets opening but slow to welcome intermediaries
page 16G

Agent/Broker Topics

Industry has high hopes for Bush administration

By RODD ZOLKOS

As a new administration takes over in Washington, the insurance industry is watching for signs of policy changes that might affect its business, hopeful that any changes will be for the better.

In terms of international business, the expectation is that the George W. Bush administration will continue in the direction set by the Clinton administration.

"Frankly, on the trade side, I don't know even the most hardened Republican who wasn't pleased with the overall accomplishments of the Clinton administration, with NAFTA and China being the two most outstanding accomplishments," said Joel Wood, senior vp-government affairs at the Council of Insurance Agents & Brokers in Washington.

Coletta I. Kemper, vp-industry affairs at the CIAB, said her organization had participated in an informal meeting with Bush transition team members, "just getting them up to speed with where we are as an industry."

"We're fairly comfortable they'll continue a strong trade agenda," Ms. Kemper said.

"We're sort of narrowly focused right now, and we're looking to open any doors we can to liberalize markets for intermediaries," she said. "There aren't as many commitments for us right now as there are for insurance companies."

"If we look at Republicans and their history, for the most part, Republicans are more in favor of open markets, free trade," said Bennett Cooper, a senior consultant-financial services with an emphasis on distribution at Tillinghast-Towers Perrin in New York.

"What's going on in the Far East right now would indicate that the movement is much more toward those kinds of open markets," Mr. Cooper said.

The Far East, and China in particular, is an area of particular interest to the insurance industry as the new administration takes power.

For those in the insurance industry, the goal is "trying to get a piece of this market of 1.2 billion people," Mr. Cooper noted.

"China is very important to us," the CIAB's Mr. Wood said. "It is a big brokerage issue for us that's ongoing."

Much of the attention is aimed at negotiations toward China's entry into the World Trade Organization. For now, China's trade relationships with various countries are based on individually negotiated bilateral agreements, and its agreement with the United States does not provide for U.S. broker involvement in China.

"China did not make a commitment to allow foreign intermediaries to establish in China in the U.S.-China bilateral agreement. However, they did in the China-E.U. bilateral agreement," Ms. Kemper noted.

But, "if China wants to join the WTO, all their bilateral agreements are put into one big agreement," she said. Thus, if China does join the WTO, it would open the door for U.S. intermediaries to establish themselves in China.

"However, China is now trying to put conditions on that," Ms. Kemper said.

"They really want you to establish a presence on the ground there before they consider a license," Tillinghast's Mr. Cooper said. "They also want you to have a partner there." And for now, he said, it appears China doesn't want foreign companies to have a majority stake in those partnerships.

"It's going to take some time," Mr. Cooper said. "Of course, we are assuming that Bush will follow through."

"Republicans have always been pretty strong on trade," Ms. Kemper said. "It's too early to tell. We haven't heard any speeches yet, but we don't expect them to go back on any of the progress that has been made. We feel pretty comfortable with the new administration so far."

With the U.S. economy slowing, the insurance industry's interest in global business opportunities will increase, Mr. Cooper said. "South America looks like it's coming back," he said. "And with our own economy slowing, suddenly Western Europe, some parts of the Far

See **Bush** *on page 16D*

Bush

Continued from page 16B

East and some parts of South America are starting to look more interesting."

"The other thing is, there's a tremendous amount of consolidation going on right now, and the industry is really global," he continued. As that process continues, large companies like American International Group Inc. or France's AXA Group are looking to increase their presence worldwide, with domestic companies such as AIG investing as a way to increase overseas presence and foreign companies doing the same in the U.S.

Mr. Cooper said there also will likely be continued discussion of insurance business that is done offshore to gain particular advantages, though he thinks any real action to address tax issues or other implications of that business will probably fall behind other, more important Bush administration priorities.

"There is some significant presence offshore in doing things for foreign nationals and for some particular products that, for certain reasons, are easier to do offshore," he noted.

"I'm sure a lot of countries would like to try to get their arms around what their citizens are doing in using offshore products to try to avoid certain things," Mr. Cooper said. "I think somebody will look at that. It's just a matter of time. But in the scheme of things, there's probably a lot of things that are going to be looked at first."

> *'The prospects for any significant movement in the federal charter issue in 2001 remain highly uncertain.'*
>
> — Mike Pritula

Some of the stated top priorities of the Bush administration may well affect other aspects of the insurance business in significant ways, however. In particular, Mr. Bush's drive to eliminate the estate tax and to allow individuals to control the investment of a portion of their Social Security account assets may shape some companies' business.

"It seems to me it's not a matter of whether we're going to get some reduction in taxes or change in estate taxes or change in marriage penalty taxes—it's a question of how much of a reduction we're going to get," Mr. Cooper said.

Mr. Cooper suggested that an entire group of insurance companies could be forced to change their business by any repeal or reform of the estate tax, because, for a number of companies, second-to-die life policies represent a significant portion of their premium volume.

"Probably the companies that have gotten into it—and they're the larger companies—many have 30% to 35% of their premium in second-to-die life insurance," Mr. Cooper said. "So what they'll have to do is find something in lieu of that and change to something that is not a death benefit but an accumulation product."

One option might be long-term care products.

Long-term care insurance is becoming a hot product, Mr. Cooper said, with only 10% to 20% of the market penetrated thus far. And, he said, "it sounds like the government is supportive of long-term care."

"So there's some terrific potential for growth, but the real challenge is nobody really knows what the profitability of that area is going to be," Mr. Cooper said. One key question is whether insurers are pricing long-term care insurance properly. "We would think some are and some aren't," he said.

The new mindset in Washington is, "Don't we need to give our people some significant tax relief, and isn't it the time to do it, when our surplus is as large as it is?" Mr. Cooper noted. Couple that with the goal of allowing individuals to direct a portion of Social Security assets in mutual funds, and "Everything that we're moving toward really talks about accumulation—get enough money toward retirement and then in your waning years you can care for yourself."

One other area where some might watch for signs of change is the issue of federal chartering of insurance companies, as the convergence among financial services companies continues. While talk is likely to continue on that subject, Mike Pritula, a director at consulting firm McKinsey & Co. in New York, said he doesn't anticipate action on federal chartering this year.

"The prospects for any significant movement in the federal charter issue in 2001 remain highly uncertain," he said. "While the Bush administration clearly would be supportive of states' rights, they're also outspoken opponents of inefficient regulation where it exists. So it remains to be seen if these two opposing views collide in the committee process."

"In addition, there's no doubt that some factions within the life and property/casualty segments are very supportive of a federal charter, but there also remain those segments that are more questioning of the value of a federal charter," Mr. Pritula said. "So the industry itself has some work to do in shaping their views toward the federal charter." BI

YOU SAVED THE SMITHS $300 LAST YEAR. SO WHY AREN'T THEY GRATEFUL?

Nobody can fault your good intentions. After all, the Smiths wanted to save some money. And their house wasn't in a floodplain.

So it didn't seem necessary for them to buy flood insurance. That was fine with the Smiths. Until they lost everything in a flood. And you had to tell them their homeowner's policy didn't cover their loss.

Fact is, a flood can happen anywhere. In the past few years, they've hit all 50 states. And nearly one-fourth of all flood insurance claims came from areas no one considered high risk.

Don't chance losing your clients' trust or facing Errors and Omissions exposure just to save them a few dollars. Because for around $100 a year, depending on location and coverage, you can offer your clients the peace of mind that comes with National Flood Insurance.

We've made offering it easy and rewarding. And we'll support you with everything from advertising and leads to flood maps that help you determine risk zones and premium rates.

Find out more about the National Flood Insurance Program. It's the way to help your clients save for a really rainy day.

TO LEARN MORE, CALL NOW
1 (888) 724-6792
www.floodalert.fema.gov

FEMA's National Flood Insurance Program-working with Project Impact to build disaster resistant communities.

PROJECT IMPACT

BE FLOOD ALERT

NATIONAL FLOOD INSURANCE PROGRAM SM

Sizing up Singapore for industry growth

BY LEE FLETCHER

Many U.S. insurers that want to conduct business overseas look with favor on the relatively open market of Singapore, though there are some reforms those insurers would like to see implemented.

"It's a vibrant, competitive, open insurance market," said Brad Smith, managing director-international relations with the American Council of Life Insurers in Washington.

"The reason it represents a real opportunity for us is that it will allow the U.S. to set a very high standard for a market access agreement in a region where Singapore is about as good as it gets, currently," Mr. Smith said.

Gary Crist, managing director of Russell Miller Advisors P.L. in Singapore, said, "Singapore's insurance regulatory environment is as open as you can find in Asia." He noted that, currently, foreign companies can establish branch operations and representative offices in Singapore.

Early last month, the ACLI and the American Insurance Assn. cowrote a letter to then-U.S. Trade Rep. Charlene Barshefsky, pushing for market reforms in Singapore that would further open the insurance market to foreign investment.

In the letter, the trade organizations recommended that the U.S. government use the ongoing U.S.-Singapore Free Trade Agreement negotiations, which began last year, to help reach the insurance industry's goals.

"The U.S. insurance industry views Singapore as a vital center of Asian insurance activity," the letter said. "We believe that Singapore can help set the standard for insurance services liberalization in Asia."

There are several reforms on the property/casualty side that the AIA would like to see in any final trade agreement with Singapore, said John Savercool, Washington-based vp of federal affairs for the insurer trade group.

"One is that we would like to see any compulsory reinsurance cession imposed by the government of Singapore eliminated. Currently, there is a compulsory reinsurance cession (with a state-run reinsurer) ranging between 2.5% and 5% on many non-life risks. We would like to see those requirements eliminated. There is also a law that states that a foreign insurer cannot purchase a majority stake in a domestic insurance company," he said.

For example, Mr. Savercool said, if a U.S. company sought to buy a domestic insurer in Singapore that was struggling for lack of good management, the U.S. company could intervene in the management of the company but could not purchase a majority share of the business.

"We would like to see that provision and that restriction eliminated, so that we could buy all of the business or a majority share of the business," he said.

Mr. Smith said the ACLI's greatest concern in Singapore is the current restriction on ownership by foreign insurers.

"Right now," Mr. Smith explained, "you can only be a branch (of a company). You cannot be a majority or a wholly owned subsidiary; you've got to be a minority joint venture partner. There's a series of other restrictions that the government of Singapore has on foreign insurance companies operating there, but compared to other markets—such as China or Vietnam or a lot of other places in the world—Singapore is actually a pretty good market."

Mr. Smith said that the U.S. negotiations with Singapore could serve as a model for the development of trade arrangements in other Asian countries.

"It would set a good example for markets such as Malaysia, Indonesia, Thailand, the Philippines, Vietnam," he said.

"Singapore is, by and large, an open market, and the Singapore government should be able to commit to very broad, very comprehensive trade commitments, because it's not like they have to change a whole lot," Mr. Smith said.

In early December, when the trade talks began, Mr. Smith said the Clinton administration anticipated finishing up by Dec. 22. That, he said, would have "set an all-time speed record for negotiating an agreement."

Despite the fact that no agreement was reached before President Clinton left office, the two sides set a strong foundation, Mr. Smith said.

Indeed, the ACLI, along with the AIA, had encouraged the administration to take its time to negotiate "the right agreement, not just any agreement fast," Mr. Smith said.

The AIA's Mr. Savercool agreed that it made sense not to scramble to reach a hasty settlement.

"We feel good that the Clinton administration did not follow through and try to conclude a trade agreement by the time it left office. We were very concerned that a deal would be struck prematurely and that the best deal possible would not have been made if there were unreasonable time constraints on its conclusion," Mr. Savercool said.

Mr. Savercool said that the associations have held several meetings

See **Singapore** *on page 16G*

Singapore

Continued from page 16F

with negotiators from the U.S. trade representative's office, the U.S. Treasury Department and the Commerce Department, and that it will continue to do so.

"We have included mention of the importance of doing the right type of agreement with Singapore in briefings we have provided for the transition teams for the Bush administration and the USTR, Treasury and Commerce. Additionally, we are briefing the committees of jurisdiction both in the House and the Senate," Mr. Savercool said.

Mr. Smith of the ACLI noted that the negotiations regarding trade reforms in Singapore are similar to those talks that are now under way between the United States and Chile, except that the Chilean discussions are about one month behind.

"It's virtually identical to what we're trying to get out of Singapore," Mr. Smith said.

"In a broader context," the AIA's Mr. Savercool said, "what we'd like to see in the U.S.-Singapore agreement, however, is the adoption of what we call a 'model schedule,' which is a document that we have created—along with others in the industry, including the ACLI—which pretty much constitutes an insurance 'wish list' of what a foreign market would look like as it regulates insurance." The model schedule seeks, among other steps, the elimination of government monopolies, the removal of compulsory reinsurance cessions and the implementation of faster review processes for new products, Mr. Savercool explained.

He said that it has always been the industry's goal to promote the model schedule through the World Trade Organization. Doing so, he said, would increase the likelihood that WTO member countries would adopt the model.

"We believe that if the U.S.-Singapore agreement doesn't include the model schedule, it will send a potentially counterproductive signal to other WTO countries that they, too, can refuse to adopt it as well," Mr. Savercool said.

"Not only Singapore but, we believe, the agreement with Chile ought to include the model schedule as well," he said.

Mr. Crist of Russell Miller Advisors said it is unclear what exactly will happen in regard to the unfinished Singapore trade agreement now that the Bush administration has taken over.

Mr. Smith emphasized that the negotiations in Singapore are not limited to the insurance industry. "This is on telecommunications, agriculture, textiles, banking—there are a lot of things going on. The original commitment was to try and do this in a very quick manner and, to their credit, they actually have established a framework. This kind of thing usually takes six months to a year to get done," he said.

Mr. Smith said he expects an agreement to be reached within the year, unless serious problems develop in regard to some industry other than insurance.

Mr. Savercool said it is unfortunate that the insurance industry negotiations are linked to those of other industries, "like agriculture issues and other issues that are more contentious."

Consequently, he predicted that little progress will be made on negotiations in regard to financial services and insurance in the first six months of 2001.

"It's more likely that we see more-substantive negotiations in the second half of this year," he said. BI

Foreign markets begin to open

But agents and brokers say they continue to face barriers

By MICHAEL PRINCE

Although many countries around the world have recently welcomed foreign insurers into their markets, the reception given to foreign insurance agents and brokers has been significantly colder.

This difference in treatment has not been lost on intermediaries, and, in the past few years, they have pushed for equal treatment from these newly liberalized markets.

Generally, an unwelcoming country does not establish an outright prohibition on foreign intermediaries. Rather, it creates barriers that prevent them from operating as freely as do other foreign businesses, including insurers.

"Typically, the market is opened to insurers before it's opened to the intermediaries," said Robert Gibbons, executive director and president of the International Insurance Foundation in Washington, a non-profit think tank that deals with emerging insurance markets.

"Less attention has been paid (to) the freedom of the market to intermediaries and the contributions they can make to an effi-

See **Barriers** *on next page*

Barriers

Continued from previous page

cient insurance market," Mr. Gibbons said.

Currently, China is the area of most concern to intermediaries. Last April, the United States signed a trade agreement with China, but the deal contained no provision to permit foreign insurance intermediaries to operate there. Later in the year, though, China signed a bilateral trade agreement with the European Union that did open the door to foreign intermediaries.

"This was a major victory," said Coletta Kemper, vp-industry affairs for the Council of Insurance Agents & Brokers in Washington.

Negotiations are now under way to permit China's entry into the World Trade Organization. Admission, though, will require China to honor all bilateral trade agreements it has previously entered into, including the provision permitting foreign brokers to operate in the Chinese market, Ms. Kemper said.

But precisely what China will allow remains unclear, because "the details are now under negotiation," said Nic De Maesschalck, director of the World Federation of Insurance Intermediaries. The WFII is an umbrella organization in Brussels, Belgium, that represents agent and broker associations from 50 countries. Those details, Mr. De Maesschalck explained, will establish the way the WTO trade agreement translates into actual business activity, Mr. De Maesschalck explained.

"They are now in a very crucial phase," he said.

For example, Ms. Kemper noted that China initially sought to set certain asset requirements for foreign brokers to gain access that were so large that they would, in effect, have barred all foreign brokers. China has since backed away from this position. Nonetheless, such details become critical in determining the extent to which foreign agents and brokers will be able to conduct business in China.

Even if China were to be admitted into the WTO, subsequent rounds of negotiations with the country might give additional access to brokers or tear down any remaining barriers.

This WTO agreement "is just the floor of their commitments," Ms. Kemper said.

Although not explicitly stated, the reluctance of foreign markets to open themselves to foreign intermediaries is a way to protect their own industries, Ms. Kemper said. Countries recognize the need to bring in foreign insurers to help spread the risks, she noted. With intermediaries, though, "they can go home grown. But the problem is, they often don't have the expertise, particularly on the commercial side," she said.

> *Even in some nations in which brokers can operate legally, the nature of the market itself can keep them out.*

Furthermore, the role that brokers play in the insurance industry isn't well known in some countries. For example, Japan, China and India lack their own brokers. Consequently, "they probably don't understand fully the benefits the broker can bring to the market," said Harold Skipper, professor of risk management and insurance at Georgia State University in Atlanta.

Denying entry to intermediaries may also be a way to hinder those foreign insurers that rely on brokers and independent agents to produce business. Without its agents and brokers, the foreign insurer is forced to reconstruct its entire distribution system from the ground up.

"It's a non-tariff barrier to market access," Mr. Skipper said. "It delays the foreign insurers' ability to penetrate the market."

Educating the policymakers in liberalizing markets about the importance of intermediaries has become a major goal of both U.S.-based organizations, such as the CIAB, and those in the international community, such as the WFII.

"Intermediaries are the essential, practical link in the whole insurance process," Mr. De Maesschalck said. "If you don't liberalize your market for intermediaries while, at the same time, you liberalize your market for international insurers, then your system is less efficient."

The WFII is most interested in pushing liberalizing countries to make commitments under the General Agreement on Trade and Services, the international treaty that governs the provision of services. That's because such commitments are enforceable through the World Trade Organization. Any agreement of lesser status, such as a government license for foreign businesses, can be revoked and doesn't offer foreign agents and brokers the assurance they need to make a major investment, Mr. De Maesschalck said.

China isn't the only country where the international broker community is pushing for greater access. India recently allowed foreign insurers to operate, but it has yet to pass regulations that would allow foreign brokers to conduct business, Mr. Gibbons said.

Other countries receiving the attention of intermediaries include Egypt, South Korea and Indonesia. Each of these countries has made commitments through GATS to lower the barriers to foreign insurers, and, to a lesser degree, the barriers that impede foreign intermediaries, Mr. De Maesschalck said.

In addition, Russia seeks to become a WTO member. This requires Russia to negotiate with WTO member nations that have placed the entry of foreign intermediaries on their list of demands, he said.

But even in some nations in which brokers can operate legally, the nature of the market itself can keep them out. For example, in some countries in which foreign insurers can compete, such as India, the government has mandated fixed prices for policies.

In such places, a broker can help a client with claims and customer service, but not in its primary role in shopping for the best price, Mr. Gibbons said. "So," he admitted, "there is very little a broker can add." BI

A/BT BRIEFS

USI buys consultant

GLASTONBURY, Conn.—USI Consulting Group, a Glastonbury, Conn.-based unit of USI Insurance Services Corp., recently acquired Capital Planning Group, an Alpharetta, Ga.-based provider of executive benefits and compensation planning.

CPG provides non-qualified compensation and benefit consulting services for senior-level executives and physicians, including actuarial services, legal and tax support, benefit reporting and recordkeeping. CPG specializes in helping tax-exempt organizations, publicly traded companies and large privately held firms develop benefit programs to attract and retain top talent.

USI Insurance Services Chairman and Chief Executive Officer Bernard H. Mizel said in a statement that the addition of CPG "catapults USI to the top of the executive benefit services market in the United States."

InsureTrade grows

SANTA ANA, Calif.—Shared Agency Services L.L.C., a Tucker, Ga.-based cooperative venture owned by 56 independent agents, recently signed on with Santa Ana, Calif.-based InsureTrade.com.

Established last year, InsureTrade.com can bring together online all parties necessary to service an insurance policy—the policyholder, the producer and the insurer.

"This is a great opportunity for both companies," Jeff Snider, founder and chairman of InsureTrade, said in a statement. "We help SAS achieve the efficiencies in communications and transactional processing they need to keep their coverage and service rates competitive. SAS helps us achieve the critical mass we need to keep our subscription rates competitive."

SAS agents write more than $350 million in combined premiums for more than 100,000 personal and commercial clients.

IIAA conference set

WASHINGTON—The Independent Insurance Agents of America Inc. has announced the details of its 2001 legislative conference.

The Alexandria, Va.-based IIAA estimates that nearly 800 agents will gather in Washington for its 25th annual National Legislative Conference, May 2-4, 2001. The conference will be held at the Grand Hyatt Hotel in downtown Washington.

Highlights will include a briefing on legislative issues; social events; and appearances by high-profile political speakers, who will discuss concerns of lawmakers and agents.

"This year's legislative agenda will consist of a number of unresolved agent issues, including estate tax reform, tax cuts for small business, workplace ergonomic standards, workers compensation, medical and insurance privacy, insurance regulation and other pressing concerns," IIAA President William F. Hofmann III said in a statement.

For copies of the 2001 National Legislative Conference registration and hotel reservation forms, call IIAA's fax-on-demand service at 800-296-0578 and select document No. 4002. The forms can also be downloaded online at *www.independentagent.com.*

Aon employee honored

ALEXANDRIA, Va.—The Independent Insurance Agents of America Inc. has announced that Armida Quiroga, an account manager with Aon Risk Services of Texas Inc., has been named the 2000 National Accredited Customer Service Representative of the Year.

The IIAA National ACSR of the Year Award recognizes the value customer service representatives bring to the independent agency system.

The award given to Ms. Quiroga was based on her outstanding individual contributions to her agency, to her community and to the insurance industry, and on the strength of her essay on customer service, according to the IIAA.

Ms. Quiroga, an 18-year veteran of Aon, will receive a $1,500 cash prize, complimentary registration for one course administered by the American Institute for CPCU/Insurance Institute of America and a plaque commemorating her achievement. BI

Agent/Broker Topics

ADVERTISER INDEX

Issue of February 5

ADVERTISER	PAGE #
AXA Nordstern Art Insurance	16C
Beacon Hill Associates	16H
Chubb Corporate	16B
Distinguished Program Dev.	16G
FEMA	16E
ING Employee Benefits	16D
Philadelphia Insurance Co.	16F

Continued from previous page

redevelopment.
Service area: nationwide.
Compensation: by the project; on retainer.
2000 gross revenues: $1,000,000 total, 40% from unbundled environmental risk management consulting directly to corporations and institutions.
Officers: James C. Herrmann, president; Michael E. Herrmann, professional geologist; Gene P. Devine, environmental attorney.
Contact: James C. Herrmann; jherrmann@jchinfo.com.

Hydro-Environmental Technologies Inc.

54 Nonset Path,
Alton, Mass. 01720;
800-347-4384; fax: 978-635-0980
www.hydroenvironmental.com

Services began: 1986.
Services: real estate audits, design and analysis of remediation plans, litigation support, environmental safety consulting, emergency response training, ecological risk assessment, preparation of permits, environmental site assessment, hazard and risk analysis.
Other services: remediation activities, UST management and removal, environmental consulting to insurers and public policymakers, general risk management consulting.
Staff*: 40 total; 32 environmental professionals.
Clients*: 75 environmental consulting clients; 18 corporate/institutional clients.
Industries served: chemical, financial, insurance, petroleum, transportation.
Service area: nationwide.
Compensation: by the project; on retainer; by the hour: $45 to $120.
2000 gross revenues: $3,650,000 total, 25% from unbundled environmental risk management consulting directly to corporations and institutions.
Contact: Hayden Solomon, president; haydensol@hydroenvironmental.com.
*Estimated.

Hydro-Terra Inc.

9192 Red Branch Road, Suite 290,
Columbia, Md. 21045;
410-995-1246; fax: 410-730-1785

Services began: 1986.
Services: design and analysis of remediation plans, litigation support, environmental safety consulting, environmental site assessment.
Other services: environmental consulting to insurers and public policymakers.
Staff: 6 total; 3 environmental professionals.
Clients: 6 environmental consulting clients; 3 corporate/institutional clients.
Service area: District of Columbia, Maryland, Pennsylvania, Virginia.
Compensation: by the project; by the hour: $35 to $120.
2000 gross revenues: $475,000 total, 75% from unbundled environmental risk management consulting directly to corporations and institutions.
Contact: Thomas R. Mills, president.

I

IT Corp.

2790 Mosside Blvd.,
Monroeville, Pa. 15146-2792;
412-372-7701; fax: 412-373-7135

Services began: 1926.
Services: real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, environmental safety consulting, emergency response training, ecological risk assessment, preparation of permits, environmental site assessment, hazard and risk analysis.
Other services: remediation activities, UST management and removal, environmental consulting to insurers and public policymakers, general risk management consulting, asbestos and lead management, industrial hygiene.
Staff: 8,000 total; 425 environmental professionals.
Clients: 1,000 environmental consulting clients; 750 corporate/institutional clients.
Industries served: manufacturing, petrochemical, pharmaceutical.
Service area: worldwide.
Compensation: by the hour: $50 to $250.
2000 gross revenues: $1,450,000,000 total, 6% from unbundled environmental risk management consulting directly to corporations and institutions.
Officers: Anthony J. Deluca, president/CEO; Harry J. Soose, CFO; Scott Bonta, president-consulting and technology/chief information officer.
Contact: Kevin Smith, senior vp-business development and strategic planning.

Integral Environmental Corp.

359 Lake Park Road, Suite 126,
Lewisville, Texas 75057;
972-436-3171; fax: 972-436-3928

Services began: 1988.
Services: real estate audits, manufacturing plant audits, design and analysis of remediation plans, litigation support, public health risk assessment, regulatory and public policy analysis, ecological risk assessment, preparation of permits, environmental site assessment, hazard and risk analysis.
Other services: remediation activities, UST management and removal, environmental consulting to insurers and public policymakers, general risk management consulting.
Staff: 4 total; 4 environmental professionals.
Clients: 350 environmental consulting clients; 50 corporate/institutional clients.
Industries served: legal, real estate redevelopment.
Service area: nationwide.
Compensation: by the project; by the hour: $50 to $115.
2000 gross revenues: $320,000 total, 70% from unbundled environmental risk management consulting directly to corporations and institutions.
Officers: Martin J. Flanders, president; Brenda Lewallen, CEO.
Contact: Martin J. Flanders; integral@safeweb.net.

L

LAN Associates Inc.

445 Godwin Ave.,
Midland Park, N.J. 07432;
201-447-6400; fax: 201-447-1233

Services began: 1965.
Services: real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, environmental safety consulting, emergency response training, ecological risk assessment, preparation of permits, environmental site assessment, hazard and risk analysis.
Other services: remediation activities, UST management and removal, environmental consulting to insurers and public policymakers, general risk management consulting, asbestos and lead management, industrial hygiene.
Staff: 51 total; 6 environmental professionals.
Clients: 50 environmental consulting clients; 50 corporate/institutional clients.
Service area: nationwide.
Compensation: by the project.
2000 gross revenues: $5,000,000 total, 35% from unbundled environmental risk management consulting directly to corporations and institutions.
Officers: Guy Van Dorn, CEO; Kenneth Karle, president; Ronald Panicucci, treasurer.
Contact: Ronald Panicucci; rp@lan-nj.com.

M

MACTEC Inc.

1819 Denver W. Drive, Suite 400,
Golden, Colo. 80401;
303-278-3100; fax: 303-273-5000
www.mactec.com

Services began: 1975.
Services: real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, environmental safety consulting, emergency response training, ecological risk assessment, preparation of permits, environmental site assessment, hazard and risk analysis.
Other services: remediation activities, UST management and removal, environmental consulting to insurers and public policymakers, general risk management consulting, asbestos and lead management, industrial hygiene.
Staff: 2,300 total; 1,900 environmental professionals.
Clients: 1,500 environmental consulting clients.
Service area: worldwide.
Compensation: by the project; on retainer; by the hour.
2000 gross revenues: $320,000,000 total, 82% from unbundled environmental risk management consulting directly to corporations and institutions.
Officers: Scott E. State, chairman; Perry Campbell, president-Harding ESE; Bhaskar Patel, president-MACTEC Constructors.
Contact: Dave Hicks, marketing services manager; dshicks@mactec.com.

Marsh Inc. - Marsh Environmental Group

1166 Ave. of the Americas,
New York, N.Y. 10036;
212-345-6000; fax: 212-345-0839
www.marsh.com

Services began: 1980.
Services: real estate audits, manufacturing plant audits, design of waste minimization plans, litigation support, regulatory and public policy analysis, environmental safety consulting, emergency response training, environmental site assessment, hazard and risk analysis.
Other services: UST management and removal, environmental consulting to insurers and public policymakers, general risk management consulting, industrial hygiene.
Staff: 140 total; 23 environmental professionals.
Clients: 2,400 environmental consulting clients; 2,000 corporate/institutional clients.
Industries served: manufacturing, real estate, utility.
Service area: worldwide.
Compensation: by the project; on retainer; by the hour: $140 to $375.
2000 gross revenues: $50,000,000 total, 12% from unbundled environmental risk management consulting directly to corporations and institutions.
Officers: Gregg Bundschuh, managing director-Marsh Environmental Group/national practice leader; Donna Sandidge, senior vp-Marsh Risk Consulting/environmental consulting group national practice leader; Marcel Steward, senior vp/United Kingdom practice leader.
Contact: Greg Bundschuh, 404-995-2834; Donna Sandidge, 615-340-2485, donna.h.sandidge@marshmc.com.

N

Normandeau Associates Inc.

25 Nashua Road,
Bedford, N.H. 03110;
603-472-5191; fax: 603-472-7052
www.normandeau.com

Services began: 1970.
Services: real estate audits, litigation support, ecological risk assessment, environmental site assessment.
Other services: remediation activities, UST management and removal.
Staff: 125 total; 8 environmental professionals.
Industries served: energy, transportation.
Service area: nationwide.
Compensation: by the hour: $45 to $85.
2000 gross revenues: $11,000,000 total, 4% from unbundled environmental risk management consulting directly to corporations and institutions.
Officers: Pamela Hall, president; Peter Kinner, senior vp; Paul Harmon, vp.
Contact: Peter Kinner; pkinner@normandeau.com.

P

Professional Analytical & Consulting Services Inc.

409 Meade Drive,
Coraopolis, Pa. 15108;
724-457-6576; fax: 724-457-1214
members.aol.com/hnpacs/pacs.htm

Services began: 1985.
Services: real estate audits, manufacturing plant audits, design and analysis of remediation plans, litigation support, public health risk assessment, environmental safety consulting, emergency response training, hazard and risk analysis.
Other services: UST management and removal, asbestos and lead management, industrial hygiene.
Staff: 9 total; 3 environmental professionals.
Clients*: 20 environmental consulting clients; 3 corporate/institutional clients.
Industries served: real estate, water management.
Service area: nationwide.
Compensation: by the hour: $70 to $300.
2000 gross revenues: $1,200,000 total, 50% from unbundled environmental risk management consulting directly to corporations and institutions.
Officers: Henry G. Nowicki, president/senior consultant; Barbara Sherman, manager-operations; Homer Yute, information systems.
Contact: Henry G. Nowicki; hnpacs@aol.com.
*Estimated.

Professional Service Industries Inc.

510 E. 22nd St.,
Lombard, Ill. 60148;
800-548-7901; fax: 630-629-4491
www.psiusa.com

Services began: 1972.
Services: real estate audits, manufacturing plant audits, design and analysis of remediation plans, litigation support, environmental safety consulting, environmental site assessment.
Other services: remediation activities, UST management and removal, environmental consulting to insurers and public policymakers, asbestos and lead management, industrial hygiene.
Staff: 2,775 total; 505 environmental professionals.
Clients: 500 environmental consulting clients; 500 corporate/institutional clients.
Industries served: banking and financial, construction, real estate.
Service area: nationwide, Toronto.
Compensation: by the project; by the hour: $30 to $200.
2000 gross revenues: $200,000,000 total, 12.5% from unbundled environmental risk management consulting directly to corporations and institutions.
Officers: Murray Savage, CEO; Howell Branum, president; Walter Goin, COO.
Contact: Thomas Boogher, executive vp; info@psiusa.com.

Q

QORE Inc.

11420 Johns Creek Parkway,
Duluth, Ga. 30097;
770-476-3555; fax: 770-476-8930
www.qore.net

Services began: 1985.
Services: real estate audits, manufacturing plant audits, design and analysis of remediation plans, litigation support, ecological risk assessment, preparation of permits, environmental site assessment.
Other services: remediation activities, UST management and removal, environmental consulting to insurers and public policymakers, asbestos and lead management.
Staff*: 500 total; 75 environmental professionals.
Clients*: 500 corporate/institutional clients.
Service area: Alabama, Florida, Georgia, Kansas, North Carolina, South Carolina, Tennessee, Texas.
Compensation: by the project; by the hour: $60 to $150.
2000 gross revenues: $35,000,000 total, 10% from unbundled environmental risk management consulting directly to corporations and institutions.
Officers: Dirk van Reenen, chairman; Dave Albin, president; Clinton Hammond, controller.
Contact: Greg Fischer; gfischer@qore.net.
*Estimated.

R

Warren Rogers Associates Inc.

747 Aquidneck Ave.,
Middletown, R.I. 02882;
401-846-4747; fax: 401-847-8170
www.wraenviro.com

Services began: 1979.
Services: litigation support.
Other services: UST management and removal.
Staff: 24 total; 4 environmental professionals.
Clients: 20 environmental consulting clients; 20 corporate/institutional clients.
Industries served: oil.
Service area: nationwide.
Compensation: by the hour: $95 to $325.
2000 gross revenues: $1,850,000* total, 17% from unbundled environmental risk management consulting directly to corporations and institutions.
Officers: Warren F. Rogers, president; Jill Jones, COO; Bill Jones, executive vp.
Contact: wra@wraenviro.com.
*Estimated.

S

Sandler Occupational Medicine Associates Inc.

125 Baylis Road, Suite 120,
Melville, N.Y. 11747;
631-756-2204; fax: 631-756-2216
www.somaonline.com

Services began: 1983.
Services: real estate audits, manufacturing plant audits, litigation support, public health risk assessment, emergency response training, environmental site assessment, hazard and risk analysis.
Other services: environmental consulting to insurers and public policymakers, general risk management consulting, asbestos and lead management, industrial hygiene.
Service area: nationwide.
Compensation: by the project; on retainer; by the hour.
2000 gross revenues: $2,000,000 total, 60% from unbundled environmental risk management consulting directly to corporations and institutions.
Officers: Howard M. Sandler, president; Richard Blume, Sheldon Rabinovitz, vps.
Contact: Wendy L. Walmsley; wendy@somaonline.com.

Superior Environmental Corp.

14641 16th Ave., P.O. Box 118,
Marne, Mich. 49435-0118;
616-677-5255; fax: 616-677-5258
www.superiorenvironmental.com

Services began: 1989.
Services: real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, litigation support, public health risk assessment, environmental safety consulting, ecological risk assessment, preparation of permits, environmental site assessment, hazard and risk analysis.
Other services: remediation activities, UST management and removal, environmental consulting to insurers and public policymakers, general risk management consulting, industrial hygiene.
Staff: 60 total; 15 environmental professionals.
Clients*: 100 environmental consulting clients; 100 corporate/institutional clients.
Industries served: academic, financial, manufacturing, medical institutions, metal processing, real estate, transportation.
Service area: Illinois, Indiana, Michigan, Ohio, Wisconsin.
Compensation: by the project; by the hour: $50 to $125.
2000 gross revenues: $6,500,000 total, 25% from unbundled environmental risk management consulting directly to corporations and institutions.
Officers: James R. Quince, president; Scott M. Miller, Fred Timmer, vps.
Contact: James R. Quince; quince@superiorenvironmental.com.
*Estimated.

T

TPM Inc. Environmental Contractors & Consultants

2040 Old Louisville Road,
Bowling Green, Ky. 42101;
270-781-4945; fax: 270-793-0088
www.tpmenvironmental.com

Services began: 1991.
Services: real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, environmental safety consulting, emergency response training, preparation of permits, environmental site assessment, hazard and risk analysis.
Other services: remediation activities, UST management and removal, environmental consulting to insurers and public policymakers, general risk management consulting, asbestos and lead management.
Staff: 35 total; 7 environmental professionals.
Clients: 250 environmental consulting clients; 200 corporate/institutional clients.
Service area: Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Missouri, North Carolina, Ohio, South Carolina, Tennessee, Virginia, West Virginia.
Compensation: by the project; on retainer; by the hour: $45 to $180.
2000 gross revenues: $3,000,000 total, 50% from unbundled environmental risk management consulting directly to corporations and institutions.
Officers: Edward T. Hanks, president; Joy Beth Hanks, secretary/treasurer.
Contact: Edward T. Hanks; ehanks@tpmenvironmental.com.

Terracon

16000 College Blvd.,
Lenexa, Kan. 66219;
800-593-7777; fax 913-599-0574
www.terracon.com

Services: real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, environmental safety consulting, preparation of permits, environmental site assessment, hazard and risk analysis.
Other services: remediation activities, UST management and removal, environmental consulting to insurers and public policymakers, asbestos and lead management, industrial hygiene.
Staff: 1,282 total; 300 environmental professionals.
Clients: 11,000 environmental consulting clients; 10,000 corporate/institutional clients.
Industries served: communications, construction, real estate development.
Service area: nationwide.
Compensation: by the project.
2000 gross revenues: $137,000,000 total, 20% from unbundled environmental risk management consulting directly to corporations and institutions.
Officers: Larry K. Davidson, chairman/CEO; David R. Gaboury, president/COO; Tom Warn, vp-environmental services.

U

URS Corp.

100 California St., Suite 500,
San Francisco, Calif. 94111-4529;
415-774-2700; fax: 415-398-1905
www.urscorp.com

Services began: 1950.
Services: real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, litigation support, public health risk assessment, regulatory and public policy analysis, environmental safety consulting, emergency response training, ecological risk assessment, preparation of permits, environmental site assessment, hazard and risk analysis.
Other services: remediation activities, UST management and removal, environmental consulting to insurers and public policymakers, general risk management consulting, asbestos and lead management, industrial hygiene.
Staff: 16,000 total; 7,500 environmental professionals.
Clients: 4,000 environmental consulting clients; 2,000 corporate/institutional clients.
Industries served: construction.
Service area: worldwide.
Compensation: by the project.
2000 gross revenues: $2,205,578,000 total, 50% from unbundled environmental risk management consulting directly to corporations and institutions.
Officers: Martin Koffel, CEO; Kent Ainsworth, CFO; Jean-Yves Perez, executive vp.
Contact: Jean-Yves Perez; 303-740-2600.

W

WCEC Environmental Consultants

14 Green River Road, P.O. Box 594,
Morris, Minn. 56267-0594;
320-589-2039; fax: 320-589-2814
www.wcec.com

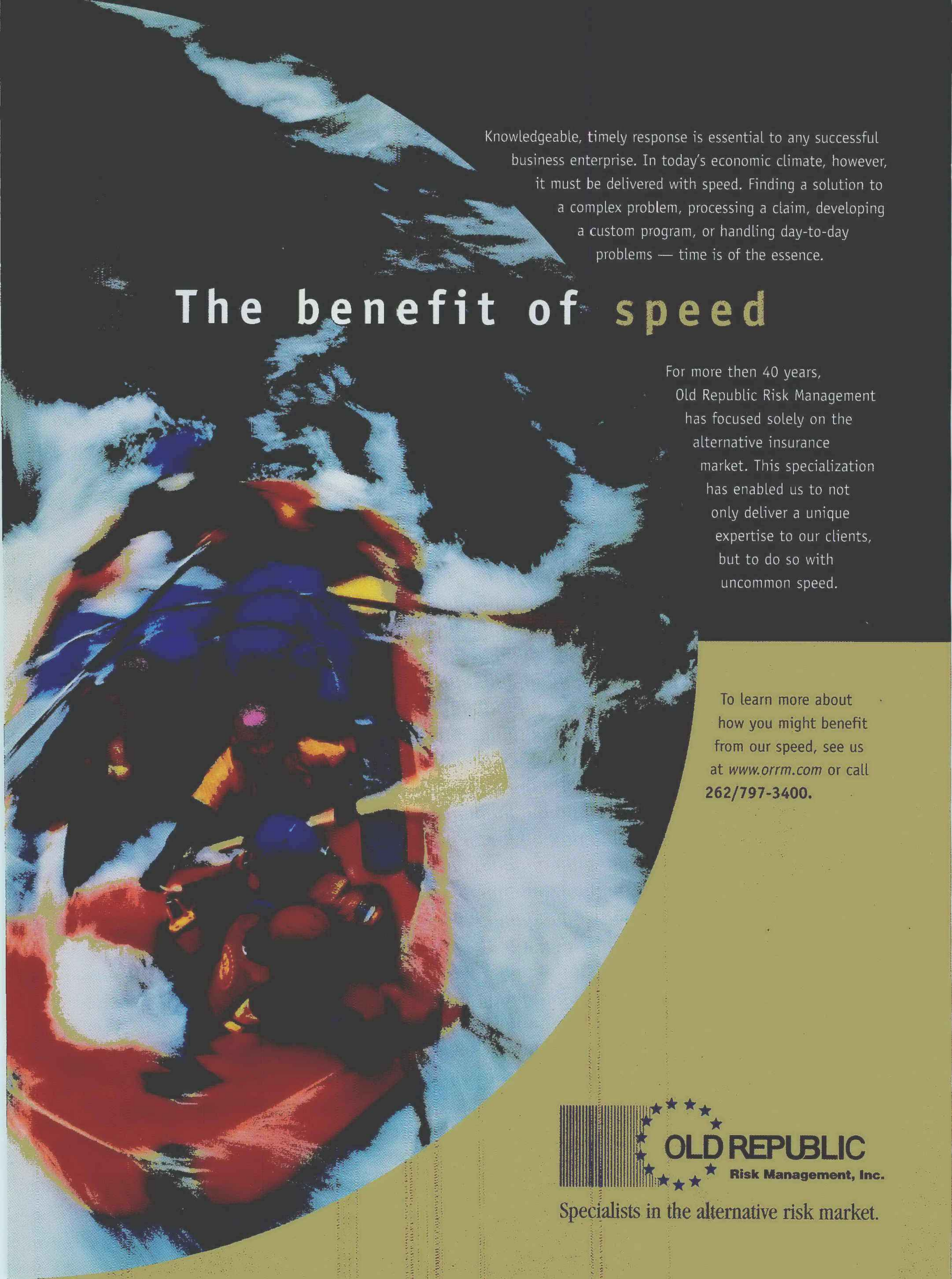
Services began: 1990.
Services: real estate audits, manufacturing plant audits, design and analysis of remediation plans, design of waste minimization plans, environmental safety consulting, preparation of permits, environmental site assessment, hazard and risk analysis.
Other services: remediation activities, UST management and removal, environmental consulting to insurers and public policymakers, general risk management consulting.
Staff: 42 total; 8 environmental professionals.
Clients: 50 environmental consulting clients; 25 corporate/institutional clients.
Service area: Idaho, Iowa, Minnesota, Montana, Nebraska, North Dakota, Oregon, South Dakota, Washington, Wisconsin, Wyoming.
Compensation: by the hour: $60 to $105.
2000 gross revenues: $4,000,000 total, 10% from unbundled environmental risk management consulting directly to corporations and institutions.
Officers: Prince Wallace, president; James Van Alstine, vp.
Contact: Gaylen Weisenburger, gweisenb@wcec.com.

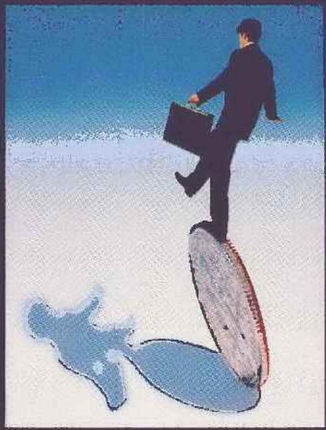
Willis Environmental Practice

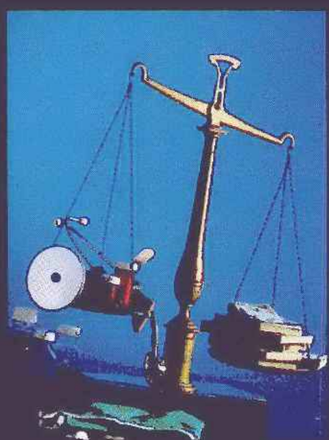
26 Century Blvd.,
Nashville, Tenn. 37214;
615-872-3475; fax: 615-872-4566
www.willisenviro.com

Services began: 1992.
Services: real estate audits, manufacturing plant audits, litigation support, public health risk assessment, regulatory and public policy analysis, environmental safety consulting, environmental site assessment, hazard and risk analysis.
Other services: remediation activities, environmental consulting to insurers and public policymakers, general risk management consulting, industrial hygiene.
Staff: 80 total; 45 environmental professionals.
Clients: 50 environmental consulting clients; 50 corporate/institutional clients.
Industries served: chemical processing, construction, manufacturing.
Service area: worldwide.
Compensation: by the project; on retainer; by the hour: $90 to $300.
2000 gross revenues: $150,000,000 total, 7% from unbundled environmental risk management consulting directly to corporations and institutions.
Officers: Ken Ayers, CEO-U.S. Environmental Practice; Allan Rickmann, global environmental practice leader; Neil Jaycock, Australian environmental practice leader.
Contact: Ken Ayers; ayers_ke@willis.com.

BI


Knowledgeable, timely response is essential to any successful business enterprise. In today's economic climate, however, it must be delivered with speed. Finding a solution to a complex problem, processing a claim, developing a custom program, or handling day-to-day problems — time is of the essence.
The benefit of speed
For more then 40 years, Old Republic Risk Management has focused solely on the alternative insurance market. This specialization has enabled us to not only deliver a unique expertise to our clients, but to do so with uncommon speed.
To learn more about how you might benefit from our speed, see us at www.orrm.com or call 262/797-3400.
OLD REPUBLIC
Risk Management, Inc.
Specialists in the alternative risk market.





Business Insurance
www.businessinsurance.com

THE FOLLOWING PREVIEW HAS BEEN APPROVED FOR ALL AUDIENCES.

COMING SOON IN BUSINESS INSURANCE...

Issue Date	Editorial Feature	Demographic Section	Ad Closing
Feb 19	Self-Insurance: Property/Casualty & Employee Benefits *Directory: Third-Party Administrators*	IT Global Strategies	Feb 7
Feb 26			Feb 14
Mar 5		ABT Consolidation	Feb 21
Mar 12	Risk Financing Options *Directory: Risk Securitization Specialists* *Distribution: CICA; CILS; NRRA*		Feb 28
Mar 19	Benefits: New Technology & Online Solutions *Directory: Benefit Information Systems* *Distribution: NMHCC*	IT Consolidation	Mar 7
Mar 26	*Distribution: NAIC*		Mar 14
Apr 2	Benefits: Managed Care Trends & Issues *Directory: Prescription Benefit Managers*	ABT Agency/Insurer Relations	Mar 21
Apr 9	*Distribution: ALARM*		Mar 28
Apr 16	RIMS Conference/Atlanta Tourism Preview	IT Insurer/Agency Relations	Apr 4
Apr 23			Apr 11
Apr 30	Captives/Risk Manager of the Year *Directory: Captive Managers* *Distribution: RIMS*		Apr 18
May 7	RIMS REPORT: Employee Benefits & Workers Comp	ABT Information Technology *Distribution: ACORD*	Apr 25
May 14	RIMS REPORT: Risk Management		May 2
May 21	*Distribution: AAMGA; ACORD*	IT Information Technology *Distribution: IASA*	May 9
May 28	Benefits: Pensions/Retirement Plans *Directory: 401(k) Plan Administrators*		May 16

"...the most valuable, most credible and most timely newsmagazine in the industry."

"★★★★... A must-read ... Don't miss a single issue."

RESERVE YOUR AD SPACE TODAY. CALL A SALES OFFICE NEAR YOU.

New York: 711 Third Ave., NY 10017-4036 ■ Tel: 212-210-0134 ■ Fax: 212-210-0704
Chicago: 740 N. Rush St., IL 60611-2590 ■ Tel: 312-649-5276 ■ Fax: 312-649-7937
Los Angeles: 6500 Wilshire Blvd., CA 90048-4947 ■ Tel: 323-370-2456 ■ Fax: 323-655-8157
Boston: 77 Franklin Street, MA 02110-1510 ■ Tel: 617-292-4856 ■ Fax: 212-210-0704
Circulation: 965 E. Jefferson Ave., Detroit, MI 48207 ■ Tel: 888-446-1422 ■ Fax: 313-446-6777

GLOBAL BRIEFS

AGF Collectives and AGF Asset Management, units of Paris-based Assurances Generales de France S.A., have won a contract to manage the **employee pension plan** for Elf Acquitaine, part of the oil company TotalFinaElf in France. The initial premium will be about 800 million euros ($739.5 million). AGF, which ranks third in the French group benefits insurance market, said it hopes to increase its market share from 10% currently to 15% by 2005....Sydney, Australia-based AMP Ltd. and Aegon U.K., a subsidiary of Netherlands-based Aegon N.V., have pulled out of talks to buy troubled U.K. mutual insurer **Equitable Life Assurance Society**. But U.K.-based mortgage bank Halifax Group P.L.C. has said it has entered into talks to buy Equitable's sales force and fund management business, and GE Capital Corp. has also expressed interest in buying parts of Equitable's business. Last year, the U.K. House of Lords ruled that Equitable owed a group of policyholders £1.50 billion ($2.17 billion), and the insurer closed its doors to new customers in December when takeover talks with Prudential P.L.C. broke down....The St. Paul Cos. Inc. has received authorization from China to open a **representative office in Beijing**. The St. Paul, Minn.-based insurer's chairman, Douglas W. Leatherdale, said, "it is essential that we be represented in the burgeoning Chinese marketplace," as part of St. Paul's ambition to develop as a global insurer....Lloyd's of London has appointed Nicholas Smith as **attorney in fact in Canada**, effective June 1. As attorney in fact, Mr. Smith will represent Lloyd's underwriters and carry out certain functions on their behalf under the Insurance Companies Act, including certifying the accuracy of regulatory filings. Mr. Smith recently was appointed president of Lloyd's Canada Inc., which was created last month to provide services to Lloyd's underwriters conducting business in Canada. He previously was regional manager-Canada for the Corporation of Lloyd's....**Copenhagen Reinsurance Co. Ltd.** plans to open a branch in Madrid, Spain, by September to serve the Spanish, Portuguese and Latin American markets. It will be headed by Marco Giovane, who has worked for several years in those markets and who currently works in the reinsurer's Copenhagen, Denmark, office....London-based broker **Heath Lambert Group** has hired three energy brokers from Marsh U.K. Philip Hallett, who was managing director of Marsh's energy division, joined Heath Lambert as chairman of its energy team. Also joining Heath Lambert were Robin Goodman as director and David Hallows as associate director....Marsh has also lost three brokers to another London competitor, **FirstCity Insurance Brokers Ltd.**, where they will join the company's financial institutions and professional risks team. John Howe will work in London, while Frank Casey and Cameron Bruce will operate from a new office in New York....Standard & Poor's Corp. has withdrawn from CreditWatch its BBB+ long-term counterparty credit and insurer financial strength ratings on **Hiscox P.L.C.** S&P put the ratings on CreditWatch late last month following the announcement that Chubb Corp. was in talks to acquire Hiscox. S&P affirmed Hiscox's ratings, with a stable outlook, after the companies announced they had ended acquisition talks....In other rating actions, S&P has assigned its AA+ counterparty credit and insurer financial strength ratings to **Jupiter Insurance Ltd.**, the Guernsey-based captive insurance company of BP Amoco P.L.C. The rating is in part based on the AA+ rating of the parent company, but also takes into account Jupiter's "extremely strong capitalization, strong operating performance, and sound underwriting," S&P said in a statement. These factors are partially offset by Jupiter deriving all its business from one source, "including a number of high-severity exposures and the potentially very significantly volatile nature of its business lines," S&P said.

E.U. pension reform proposed

By CAROLYN ALDRED

BRUSSELS, Belgium—Multinational companies' desire to have a single pension plan for workers and retirees throughout the European Union may be moving a step closer to reality with a new E.U. proposal.

Multinationals would save tens of millions of euros per year if they could use a single pension plan for all of their European pension beneficiaries, rather than have multiple pensions depending on where participants are located. The proposed E.U.

directive would address this situation by creating a common framework for pension regulation throughout Europe.

In spite of this important first step, however, consultants say such harmonization still has a long way to go. That is because the primary source of retirement benefits in Europe remains state-sponsored pension plans, even though the number of privately funded pension plans is growing, consultants say.

Some consultants also predict opposition to a single framework from E.U. member countries that have a well-established private pension industry, particularly if the new E.U. rules are more restrictive than existing national laws.

Private pension plans—including employer-sponsored plans and individual savings arrangements—are relatively widespread in Ireland, the Netherlands and the United Kingdom.

Most other European countries—with the possible exception of Sweden—are still depen-

See **Pensions** *on next page*

Names group blasts Lloyd's *Jaffray* offer

By SARAH VEYSEY

LONDON—The United Names Organisation, which represents many of the names that brought the failed *Jaffray vs. Lloyd's* fraud case, has described the settlement proposal from Lloyd's of London as "unacceptable."

A group of 216 names—individual investors—sued Lloyd's, claiming that they were fraudulently recruited to the market during the 1980s to provide capital to cover the asbestosis-related losses that almost crippled Lloyd's in the early 1990s. The names charged that senior figures at Lloyd's knew—but did not convey to potential investors—the seriousness of the impending asbestosis losses.

Last October, Lloyd's was found not guilty of fraud, allowing it to pursue financial obligations from those names that had brought the suit, as well as from any others that had refused the market's 1996 Reconstruction and Renewal Plan. Those obligations include any outstanding liabilities as well as premiums for Equitas Ltd., the runoff reinsurer for Lloyd's pre-1993 long-tail liabilities that was established as part of the reconstruction plan.

At a hearing in late December, Lloyd's presented the court with a settlement proposal. Under that offer, names would be required to pay 35% of their outstanding obligations, though a 5% discount would be made available to names who had suffered particularly high losses. Names who were party to the *Jaffray* case would be required to pay £25,000 ($36,750) toward court costs. Names involved in cost orders arising from other actions were made the same settlement offer.

Catherine MacKenzie Smith, co-chairman of the London-based UNO, slammed the Lloyd's settlement proposal. "This 'offer' is a demand, not an 'offer,'" she said in a statement.

"The names tried to make a number of points in recent weeks that were intended to help Lloyd's put forward a constructive offer, in line with the

See **Proposal** *on next page*

U.K. companies brace for changes

Tougher health, safety laws expected

By SARAH VEYSEY

LONDON—Company directors need to prepare for the U.K. government's plans to shake up health and safety law, particularly the proposed introduction of a new criminal offense for corporate killing, an attorney says.

Managing health and safety risks is clearly an item on the boardroom agenda, according to Neil Fagan, a partner at London-based law firm Lovells W.S. Solicitors. "The implications of getting it wrong could be very dire indeed. Governance has got to get into every part of the business," he said.

Speaking at a recent corporate governance seminar hosted by London-based AIG Europe (U.K.) Ltd., Mr. Fagan reminded delegates that last year, Deputy Prime Minister John Prescott promised to introduce a "new wide-ranging act of Parliament to make Britain a safer place to work."

The proposed offense of corporate killing—which would make it easier for prosecutors to secure a manslaughter conviction against a company—is expected to be a key element in the government's new legislative package, said Mr. Fagan.

Mr. Fagan said he expected to see a proposal for the new law in the Labour Party manifesto for the upcoming general election, expected to take place in May. The Home Office is expected to publish a new draft bill in June, and corporate killing could be on the criminal statute book by fall, said Mr. Fagan.

The existing law on corporate manslaughter requires prosecutors to prove that a person who embodies the "controlling mind" of a company was responsible for an accident that results in a death. The new proposed corporate killing offense, in contrast, would require prosecutors to show only that a

See **Laws** *on next page*

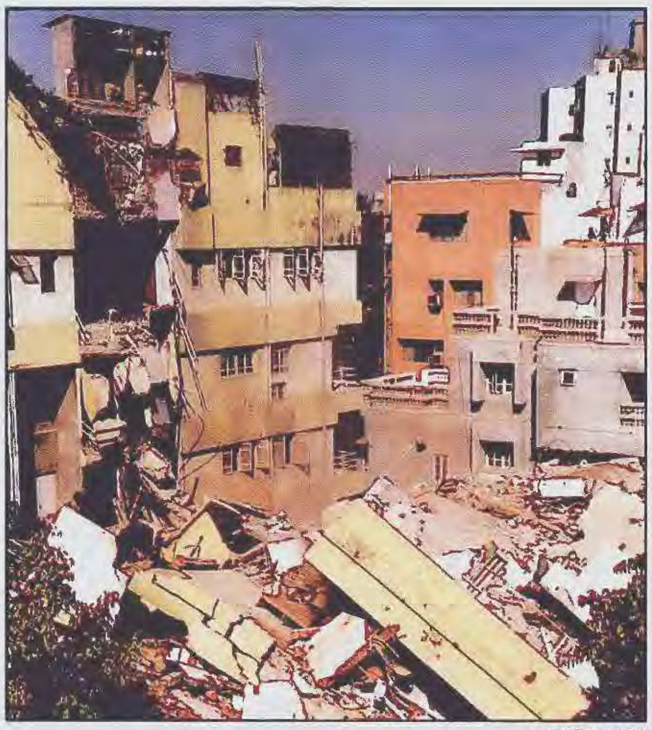


PHOTO: AFP

A building in Ahmedabad, India, lies in ruin after a powerful earthquake struck the state of Gujarat on Jan. 26.

Quake damages surveyed in India

AHMEDABAD, India—With tens of thousands of people dead and hundreds of thousands more left homeless, insurers say the full financial implications of the earthquake that struck western India Jan. 26 won't be known for some time.

The Federation of Indian Chambers of Commerce & Industry estimates, however, that total economic losses—both insured and uninsured—in Gujarat, the state where the earthquake occurred, will exceed 150 billion rupees ($3.22 billion).

The General Insurance Corp. of India, the state-owned company that reinsures its four subsidiaries—National Insurance Co. Ltd., New India Assurance Co. Ltd., Oriental Insurance Co. Ltd. and United India Insurance Co.—said late last month that the mounting claims will not be quantified before this week and possibly later. Indian news sources, however, say the state-owned insurers expect insurance claims to exceed 10 billion rupees ($215.1 million).

India's finance minister, Yashwant Sinha, has said he wants to see insurance claims settled expeditiously, and insurers have met to work out a strategy for achieving this objective.

The earthquake, of magnitude 7.9, caused more damage to residential, civil and small-business premises than to large industries in the relatively prosperous state of Gujarat, including its main city of Ahmedabad. Large companies, such as Reliance Petroleum Ltd., which has a major petrochemical complex in the state, have relatively modern facilities that withstood the tremors.

The quake has raised concerns in India, however, about the quality of construction and the ability of local emergency services and government agencies to deal with disasters on such a scale.

John Twigg, a researcher at the Benfield Greig Hazard Research Centre of University College in London, said that in urbanized areas, both in India and elsewhere, the control and supervision of building quality needs to be improved.

After devastating quakes in recent years in El Salvador, Turkey and Taiwan, "there is an urgent need across the board for governments to invest in pre-disaster mitigation, including investment in local capacity, such as public education," he said.

—By Edwin Unsworth

Laws

Continued from previous page

management failure by the company was the cause, or one of the causes, of the person's death. As a result of this proposed change, individual directors of companies could find themselves facing criminal charges if it is found that a management failure was to blame for a person's death.

"The management failure may be regarded as the cause of a person's death, notwithstanding that the immediate cause is the act or omission of an individual," said Mr. Fagan. "There can be a management failure notwithstanding the fact that management was not directly involved in the accident."

'The management failure may be regarded as the cause of a person's death, notwithstanding that the immediate cause is the act or omission of an individual,' says Neil Fagan.

Mr. Fagan pointed out that the fact that the proposed new law would apply not only to publicly traded companies but also to "all undertakings," including such non-profit entities as schools and hospital trusts, would mean that every employer in the United Kingdom should be aware of the proposals.

One of the expected sanctions expected to be used against those found guilty of corporate killing is that they be banned from ever taking up a director-level post again.

Mr. Fagan also pointed out that the Home Office consultation paper on corporate killing stressed that companies should not be allowed to use company group structures as a mechanism for evading liability for corporate killing—"the example given of small subsidiary companies being established to carry on the group's riskier business."

The proposed offense would apply to any companies with operating subsidiaries in the United Kingdom where an offense takes place.

Mr. Fagan advised delegates that companies that employ third-party contractors could be held liable for accidents by those contractors if it is found that they did not take the necessary steps to ensure accidents did not occur. To this end, said Mr. Fagan, companies should keep notes of meetings with subcontractors. "You can't contract out of a criminal offense," he warned.

The major sanction to be used against companies found guilty of corporate killing likely would be fines rather than prison terms, said Mr. Fagan. "These will probably be in the millions rather than tens of thousands. They are expected to be related to (earnings) and to that extent could be very substantial indeed," he said.

Mr. Fagan also pointed out that individuals could bring civil lawsuits against companies found guilty of corporate killing. "If you have got the money, then you can bring a private prosecution," he said. "This will bring out the action groups who will readily start to bring private prosecutions," he warned, since the burden of proof is lower for corporate killing than for manslaughter.

Mr. Fagan advised risk managers present at the seminar to talk to Home Office officials about the implications of the proposed corporate killing offense before it finds its way onto the statute book.

He added that though the proposals are currently limited to just England and Wales, he expects other European countries to adopt similar legislation if it is seen to be a success in the United Kingdom. BI

Heeding environmental risks

By SARAH VEYSEY

LONDON—Directors and officers of U.K. companies must become more aware of their environmental liabilities, warned Lisa Wilder, a partner in the environmental law unit of the London-based law firm of Slaughter & May.

At the AIG Europe (U.K.) Ltd. corporate governance seminar in London late last month, Ms. Wilder pointed out that the government of the United Kingdom has introduced a raft of measures to make companies more accountable for their environmental liabilities.

She noted that, in the past year, the U.K. Environment Agency has published "naming and shaming" lists of polluters; the Department of the Environment, Transport and the Regions has looked into setting up a court in which environmental cases will be heard by experts; the Sentencing Advisory Panel has published recommendations to increase the sanctions used against environmental offenders; and Environment Minister Michael Meacher has warned that if companies don't voluntarily report on the environmental impact of their activities, the government will introduce mandatory reporting.

"Given this political climate, it has become difficult for companies who value their reputations to ignore their environmental responsibilities," Ms. Wilder said. "As many environmental offenses are strict liability—do not require proof of fault—it is relatively easy to prosecute companies for them, and...it is becoming easier to prosecute companies for environmental offenses that require proof of a state of mind."

Ms. Wilder told delegates that all modern U.K. health and safety laws contain provisions that enable prosecuting authorities to bring actions against the directors of a company and its senior management. She said that directors and officers could be found to have both criminal and civil liability in environmental law cases.

Companies must look to effective risk management for environmental liabilities, says Lisa Wilder.

She pointed out that, because much of U.K. environmental law is tried in the criminal courts, it is often extremely difficult for companies to get traditional insurance coverage for directors and officers environmental liability. Indeed, she said, the Assn. of British Insurers has recommended since 1991 that its members exclude gradual pollution from their D&O policies. "And, of course, all pollution is 'gradual.'" Though some insurers are now offering specialist packages in this field, companies must not rely on insurance protection in the environmental liability field, she warned; instead, they must look to effective risk management.

One risk management technique is the so-called "environmental management system." Establishment of such a system provides a company with control over its environmental performance, Ms. Wilder said.

She said that the essential components of an environmental management system are:

- An environmental policy that takes into account regulatory requirements and the environmental effects of the company's operations under normal, abnormal and emergency conditions.
- Objectives that are consistent with the environmental policy and that reflect a commitment to improved environmental performance over time.
- An environmental management program that designates the responsibility for achievement of the objectives at each level of the organization and that indicates the means by which these objectives are to be met.

The environmental management program must include:

- A management representative with responsibility for implementation of the program.
- Staff training.
- Procedures for documenting legislative and other requirements, the key elements of the system and the allocation of responsibility.
- Rules to deal with non-compliance with the system.
- Procedures to respond to emergency situations and to mitigate their effects.
- The formulation of procedures for the review and revision of the environmental policy.
- The establishment of periodic audits of the system.

"Environmental liability is here to stay," she cautioned.

Ms. Wilder said that, as environmental breaches begin to tarnish companies' reputations and, consequently, their share prices, an increase in shareholder actions against such companies could be expected. BI

Proposal

Continued from previous page

judge's suggestion, and which had a reasonable chance of success," Ms. MacKenzie Smith said, adding that requests for meetings with Lloyd's had been refused.

Ms. MacKenzie Smith contended that "few, if any" of the names could accept the offer, which she characterized as a "crazy demand."

In handing down his verdict in the *Jaffray* trial, Mr. Justice Cresswell recommended that an independent panel be set up to help names settle their liabilities. Ms. MacKenzie Smith said that the panel, which is made up of a member of the Lloyd's Council—the governing body at Lloyd's—an Equitas auditor, and a retired Department of Trade and Industry civil servant, did not, in contravention of the judge's suggestion, include a retired judge. She described the panel exercise as a "sham."

'Few, if any' names can accept the offer, says Catherine MacKenzie Smith, who characterizes it as a 'crazy demand.'

A spokesman for Lloyd's described the United Names Organisation's comments as "unhelpful—particularly at a time when the courts, and even Sir William Jaffray (who brought the original fraud suit), have urged names to think very carefully" about the settlement offer. He also pointed out that Lloyd's had encouraged names to seek independent financial advice. BI

Pensions

Continued from previous page

dent on government pensions. Although there is growing anxiety that those state-sponsored pension arrangements are underfunded and unsustainable, efforts to replace them with private pensions are slow moving.

"In France there is a lot of resistance, mainly from the trade unions, toward (privately) funded schemes," said David Formosa, a senior consultant with William M. Mercer Ltd. in London.

In Germany, there have been government proposals to introduce more privately funded pension plans and cut back on state benefits, but Mr. Formosa predicted this change would be embraced gradually.

Meanwhile, in Italy, Spain, Portugal and Greece, there has been no change in pension legislation despite a recognition by those governments that there "will be huge problems with the current state provision," he said.

Sweden, in contrast, is moving toward allowing more privately funded pensions, he said, though it still lags behind the private pension development in Ireland, the Netherlands and the United Kingdom.

The proposed directive is a "step along the way" to harmonize how pension benefits are delivered in Europe, but there is still a long way to go, said John Mortimer, secretary of the Society of Pension Consultants in London. Mr. Mortimer noted that the tax treatment of pensions still varies considerably from state to state and would also need to be changed to harmonize pensions.

Institutions that provide occupational pensions—such as life insurers and banks—currently cover about 25% of the labor force in the European Union and manage assets worth about 2.30 trillion euros ($2.13 trillion), according to the European Commission.

The European Commission's proposal will aim to strike a balance between regulations tough enough to assure the security and solvency of private pension benefits, and ones that would be less restrictive to keep administration costs low.

"Institutions for occupational retirement provision play a major role in promoting social cohesion in many member states and in financing Europe's economy. In view of the aging of the Union's population, such institutions must be able to operate with the utmost security and efficiency," said E.U. Internal Market Commissioner Frits Bolkestein.

"The security of pensions is of prime importance: the rights of future pensioners must be protected by strict prudential standards. But the cost of pensions must also be

See **Pensions** *on page 27*

Professional Marketplace

www.businessinsurance.com

To place your ad, contact Irais Amleshi
Phone: (312) 649-5340
Fax: (312) 649-7937
E-Mail: iamleshi@crain.com
Business Insurance Classified Department, 740 N. Rush Street, Chicago, IL 60611-2590
Call for details on Blind Box and Internet Advertising

BUSINESS OPPORTUNITIES

Texas County Mutual, Confidentiality agreements will be required as is a qualified buyer. Reply to Business Insurance, Box 3141, 740 N. Rush Street, Chicago, IL 60611-2590.

BUSINESS OPPORTUNITY

Successful Illinois Insurance Holding Company seeks to acquire an interest in an Illinois retailer with a current book of substandard private passenger automobile business. Company expanding with current management team in place. *Replies will be held in strictest confidence.* Principals only.

Reply to:

Business Insurance, Box 3149
740 N. Rush Street
Chicago, IL 60611-2590

HELP WANTED

SANFORD ROSE ASSOCIATES
Executive Insurance Search
www.sanfordrose.com/carmel

Happy New Year
Thank you to our clients & friends in the insurance industry

See how we can take the headaches out of your Recruiting needs in 2001.

Ph 800/201-2463
sracarmel@aol.com

BI

Advertise in our next issue!
February 12
Closing February 6
Call 312-649-5340

HELP WANTED

INSURANCE CLAIMS MANAGER

Self-insured property/casualty pool seeks candidate with 10 or more years experience to manage its property, casualty and errors & omissions claims/litigation for Michigan schools. Excellent benefits and great work environment. Send resume with salary expectations by March 1, 2001 to:

Executive Director
SET SEG
415 W. Kalamazoo Street
Lansing, MI 48933.

HELP WANTED

Risk Manager

Statewide governmental association is currently seeking to fill the newly created position of risk manager. Candidate should hold a B.A., and have a very strong background in loss control. Either of the following designations would be beneficial as well: CSP or ALCM. A minimum of 5 years in this field of work is a must. Please send your resume and expected salary range to the following address: P.O. Box 4793, Frankfort, KY 40604-4793. Governmental health and retirement benefits provided. Deadline for submissions is February 23, 2001.

"Where Professionals Insure Their Careers"

Executive Recruiters Nationwide

- Risk Management
- Insurance Brokerage
- RMIS Technology
- Safety & Loss Control
- Claims Management
- Risk Management Consulting

15 James Street, Main Level,
Florham Park, NJ 07932
Call 973-765-9000
Fax 973-765-9009
Also Ask About Our Temporary Opportunities

www.rmainc.com

RMA Richard Meyers & Associates, Inc.

HELP WANTED

KEY STRATEGIES, LLC

Mike Tannenbaum Barry Citron Lee Burrows

Risk Management Recruiting
Career Coaching

"The Risk Management Career Experts!"

key strategies LLC
Recruiting • Consulting • Coaching

100 Eagle Rock Ave. Ph. 973-887-2300
E. Hanover, NJ 07936 Fax 973-887-4334
www.keystrategies.com

HELP WANTED

Your Experience Is About To Pay Off.

PLI Brokerage, a national insurance broker and subsidiary of The Chubb Corporation, is seeking ambitious, aggressive and experienced professionals for various positions nationwide. PLI specializes in niche personal insurance sales and marketing and offers you the advantages of an entrepreneurial culture with exceptional Fortune 500 benefits.

Regional And Office Managers

Will manage sales and service for one or multiple PLI offices. Should have experience working with upscale clientele and strategic alliances, including financial consultants, mortgage lenders, and realtors.

Relationship Managers

Looking for highly motivated individuals who can foster new client relationships through partnerships with financial consultants, affinity groups and real estate businesses.

Sales Executives

If you have a strong entrepreneurial spirit and the ability to bond well with prospects and clients, determine their needs and provide appropriate services, we have a position for you.

All candidates should possess valid P/C License and experience in similar position. For job opportunities in your area, visit our website at www.plibrokerage.com. Send resume to: Human Resources, PLI Brokerage, 25 Independence Blvd., 4th Floor, Warren, NJ 07059 or fax to 908-903-6501 or e-mail to: careers@plib.com.

Equal Opportunity Employer
Personal Insurance. Professional Solutions.
CHUBB PLI Brokerage, Inc.

BI Classifieds continue on next page

Looking for a candidate to fill the job?

When the most talented men and women in the insurance industry want to make a move, they turn to...

Business Insurance.

Call: Irais Amleshi at 312-649-5340 for advertising details.

More Classifieds Online!
Visit www.businessinsurance.com

LEGAL NOTICES

IN THE SUPREME COURT OF BERMUDA	IN THE HIGH COURT OF JUSTICE
CIVIL JURISDICTION	CHANCERY DIVISION
2001: No. 29	No. 415 of 2001
IN THE MATTER OF RAMUS INSURANCE LIMITED	IN THE MATTER OF RAMUS INSURANCE LIMITED
and	and
IN THE MATTER OF THE COMPANIES ACT 1981	IN THE MATTER OF THE COMPANIES ACT 1985

ADVERTISEMENT

NOTICE IS HEREBY GIVEN that by Orders dated 1st February 2001 and 30th January 2001 the Supreme Court of Bermuda and the High Court of Justice in England and Wales have each respectively directed a Meeting of the creditors of Ramus Insurance Limited (the "Company") whose claims arise from transactions entered into with the Company (the "Scheme Creditors") to be convened for the purpose of considering and if thought fit approving (with or without modification) a Scheme of Arrangement proposed to be made between the Company and its Scheme Creditors and that such Meeting will be held at Clarendon House, 2 Church Street, Hamilton, HM CX, Bermuda on 21 March 2001 at 11am (Bermuda time) at which place and time all Scheme Creditors are requested to attend.

Any person entitled to attend the said Meeting can obtain copies of the Scheme of Arrangement, Forms of Proxy, Claim Forms and copies of the Statement required to be furnished pursuant to Section 100 of the Companies Act 1981 of Bermuda and Section 426 of the Companies Act 1985 of England and Wales from the offices of the Company's Bermudian lawyers, Conyers, Dill & Pearman, Clarendon House, 2 Church Street, Hamilton, Bermuda Tel: +1 (441) 295 1422 (Ref: RJM/tle/320728) and at the offices of the Company's English lawyers D J Freeman, 43 Fetter Lane, London EC4A 1JU, United Kingdom Tel: +44 20 7583 4055 (Ref: VMT/01133430) during usual business hours on any day (other than a Saturday or Sunday or public holiday) prior to the day appointed for the said Meeting.

The Scheme Creditors may vote in person at the said Meeting or they may appoint another person whether a Scheme Creditor or not as their proxy to attend and vote in their stead.

It is requested that forms appointing proxies be lodged together with Claim Forms at Dorchester House, 7 Church Street, Hamilton, HM 11, Bermuda (Attention Andrew Ward), not less than 48 hours before the time appointed for the said meeting, but if forms are not so lodged they may be handed to the Chairman at the Meeting or sent by facsimile transmission on facsimile no: +1 (441) 295 1242 (Attention Andrew Ward) provided that they are received by the commencement of the said Meeting. Any Scheme Creditor returning a Form of Proxy only will have the value of their claims determined for voting purposes by the Chairman of the said meeting on the basis of the information available to the Company in respect of such claims.

By the said Orders the Courts have directed that the Chairman of the Meeting shall be Alex Cooper of Conyers, Dill & Pearman of Clarendon House, 2 Church Street, Hamilton HM CX, Bermuda or his alternate, any partner of Conyers, Dill & Pearman of Clarendon House, 2 Church Street, Hamilton HM CX, Bermuda and have directed the Chairman to report the results of the said Meeting to the Courts.

The said Scheme of Arrangement will be subject to the subsequent approval of the Supreme Court of Bermuda and the High Court of Justice in England and Wales.

Dated this Monday 5 February 2001.

Conyers Dill & Pearman
Clarendon House
2 Church Street
Hamilton HM CX
Bermuda
Ref: RJM/tle/320728

and

D J Freeman
43 Fetter Lane
London
EC4A 1JU
United Kingdom
Ref: VMT/01133430

LEGAL NOTICES

THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION
IN THE MATTER OF THE LIQUIDATION OF ILLINOIS EARTH CARE WORKERS COMPENSATION TRUST
NOTICE OF CLAIM FILING DEADLINE AND PROCEDURES

PLEASE TAKE NOTICE, that on October 26, 2000, the Circuit Court of Cook County, Illinois, entered an Agreed Order of Liquidation With a Finding of Insolvency and Injunctive Relief against Illinois Earth Care Workers Compensation Trust ("EARTH CARE"). Nathaniel S. Shapo, Director Insurance of the State of Illinois, is the statutory and court affirmed Liquidator of EARTH CARE ("Liquidator").

TAKE FURTHER NOTICE, that on January 16, 2001, the Circuit Court of Cook County, Illinois, entered an Order Fixing Rights and Liabilities and Providing for the Filing of Claims and the Setting of Claim Filing Deadlines (Fixing Order). Pursuant to the Fixing Order, all rights and liabilities of EARTH CARE and its policyholders, members, creditors and all other persons interested in its property or assets, are fixed as of October 26, 2000, unless otherwise provided in prior or subsequent orders of the Court.

TAKE FURTHER NOTICE, that all persons, companies or entities who have, or may have claims against EARTH CARE, its property or assets, or against an enrollee or policyholder, shall have the right to present and file with the Liquidator proper proofs of claim on or before October 26, 2001 at 4:30 p.m. (C.S.T.).

TAKE FURTHER NOTICE, that pursuant to Section 209(4) of the Illinois Insurance Code, 215 ILCS 5/209(4), any insured under an insurance policy issued by EARTH CARE shall have the right to present the Liquidator with a proof of claim setting forth a contingent claim, subject to the claim filing deadline of October 26, 2001 at 4:30 p.m. (C.S.T.). The final date by which evidence supporting the liquidation of any such contingent claim may be received by the Liquidator shall be October 28, 2002 at 4:30 p.m. (C.S.T.). No such contingent claim shall be allowed for purposes of participating in any distribution of estate assets that may be made at the class "d" priority level, 215 ILCS 5/205 (1)(d), unless such claim has been liquidated and the insured claimant has presented evidence of payment of such claim to the Liquidator on or before October 28, 2002 at 4:30 p.m. (C.S.T.).

TAKE FURTHER NOTICE, that the form and required contents of all proofs of claim are described in 215 ILCS 5/209. Proofs of claim, along with supporting documents, if any, are to be filed with, and may be obtained from, the Liquidator of EARTH CARE, c/o the Office of the Special Deputy Receiver, located at 222 Merchandise Mart Plaza, Suite 1450, Chicago, Illinois 60654. A proof of claim shall be deemed "filed" with the Liquidator upon the Liquidator's receipt thereof. The Liquidator reserves the right to require such additional information with respect to any claim filed with him as he may deem necessary. The Liquidator further reserves any and all defenses available to EARTH CARE upon all filed claims. All proofs of claim must be duly sworn to before an officer authorized to take oaths.

THE LAST DATE FOR THE FILING OF PROOFS OF CLAIM WITH THE LIQUIDATOR IS SET FORTH ABOVE. NO PERSONS, COMPANIES OR ENTITIES HAVING OR CLAIMING TO HAVE ANY CLAIM AGAINST EARTH CARE, ITS PROPERTY OR ASSETS, OR AGAINST AN EARTH CARE POLICYHOLDER OR MEMBER, SHALL PARTICIPATE IN ANY DISTRIBUTION OF THE ASSETS OF THE COMPANY UNLESS SUCH CLAIMS ARE PROPERLY FILED WITH THE LIQUIDATOR ON OR BEFORE OCTOBER 26, 2001 AT 4:30 P.M. (C.S.T.).

Cathleen M. Travis
Special Deputy Receiver

Seeking clues to industry performance

By Myron M. Picoult
Special to Business Insurance

After being in the dumps for an extended period, property/casualty stocks went on quite a tear in 2000, bouncing up, on average, about 40% in price. Subsequently, though, they have run into a bit of a wall, losing, on average, 10% to 15% of their value from their year-end 2000 closings.

We should also note that, for the most part, Wall Street observers have tended to play catch-up with the group's performance. The stocks' performance over the past year and prognostications of an economic slowdown beg the question of just how property/casualty stocks are likely to perform in the coming year.

We rummaged through our archives and found that, from 1952 through the end of 1999, the Standard & Poor's Property-Casualty Index has outperformed the Standard & Poor's 500 Index during six of the last eight recessions and six of the last seven bear markets.

Historians say that, by definition, recessions occur when real gross domestic product declines in two consecutive quarters. But the National Bureau of Economic Research makes the final call as to when a recession actually starts and when it ends. The benchmark for a bear market is a 20% decline from the market's high to its low.

It remains to be seen if the aforementioned patterns repeat. For the historians, there really are property/casualty cycles. But while there are always similarities in the cycles, there are always some differences as well.

Let's begin by addressing the performance retrenchment. The exceptional appreciation in many of the stocks during the past year—some actually doubled from their February-March 2000 lows—sparked some profit-taking, which was exacerbated by some "hot money" flowing out of the group. Some investors also lightened up on their holdings, taking a cue from a reasonably broad amount of insider selling at some insurance companies.

In addition, some began to sense possible disappointments with the 2000 fourth-quarter earnings.

Before addressing the likelihood of property/casualty stocks again outperforming in a sluggish economic environment, we should first look at what happens to the industry in a recession.

At the margin, unit demand is tied to the general economy. Although the overwhelming amount of premiums comes from the renewal book of business, demand for property coverage will be affected, to some extent, by a reduction in goods in transit, some slowdown in new construction, fewer sales of new cars, etc. The demand for casualty coverage is largely tied to the propensity of individuals and corporate entities to be sued. Furthermore, deteriorated casualty underwriting results will continue to exert pressure for rate relief. While workers compensation insurance could be negatively affected by declining payrolls, horrendous underwriting results in many jurisdictions will keep the pressure on for rate increases.

To be sure, the impact from a recession will vary from line to line. In general, though, the industry is not overly affected. Investment income growth will be affected, albeit slowly, by declining yields.

As noted, property/casualty stocks have shown a pattern of mostly outperforming the general market indices during recessions and bear markets over the past 50 years. Factors indicate that the past patterns can be repeated.

But some nasty storm clouds on the horizon make the likelihood of a repeat performance uncertain. Clearly, there is enormous pressure on insurers to continue to plug away at getting incremental rate relief.

Traditionally, property/casualty stocks do well when premiums are rising and interest rates are low. Some of the early fourth-quarter 2000 earnings reports bear testimony to the sorry state of the industry's underwriting template in past years.

It is becoming increasingly clear that pricing on business written in 1999 was woeful for virtually all purveyors. We have argued for some time that the balance sheets of many insurers have been compromised because of deficient reserving practices and questions about reinsurance recoverables. The earnings shortfalls, management comments about loss-cost trends and negative cash flows for many entities are all indications of the need for continuing rate relief and, perhaps, a return to some semblance of an extended underwriting cycle. Loss-cost inflation, though, could limit expected earnings gains and offset some of the impact of hardening rates in coming quarters. The interplay of these factors is likely to be confusing to investors over the near term.

An old industry sage once noted that it is important to be mindful of shifts in the direction that the wind is blowing. The key question is whether some purveyors have been blown further off course than their managements realize.

Clearly, the spread between the haves and the have-nots is increasing. The profitable survivors will exhibit effective capital management techniques and sensitivity to marginal rates of return, and they will make forays into the land of compensation to revamp the business for key underwriting and operations personnel. These are subjects we expect to address in subsequent columns. BI

Myron M. Picoult is a director and senior adviser to the financial institutions group at Wasserstein Perella & Co. 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 www.businessinsurance.com. *He can be reached at* mpicoult@wpequity.com.

INTERNATIONAL

Pensions

Continued from page 24

borne in mind. Benefits must not become too costly through low returns or excessive administrative constraints," said Mr. Bolkestein.

He added that "firms' competitiveness would be affected, the financial equilibrium of pension schemes would be more difficult to achieve and pensioners might receive less in the way of benefits. Consequently, the proposal for a directive seeks to ensure both the security and the affordability of occupational pension schemes."

The proposal 'seeks to ensure both the security and affordability of occupational pension' plans, said Frits Bolkestein.

The E.U. pension proposal states that the final directive should contain:

- Strict rules to protect private pension beneficiaries, including detailed rules of plan operation, rules on the funds to be held by institutional pension providers and powers invested in supervisory authorities to monitor the providers.
- Investment rules that would include a certain amount of freedom in investment policies, providing that invested assets are fairly diversified at all times.
- Rules enabling cross-border management of occupational pension plans. An institutional pension provider would be able to manage the programs of companies located in other member states while applying the regulations of the state in which it is established. As for national social security and labor regulations, which are not affected by the directive, the rules of the country in which the employer is situated would apply.

The proposal for the directive must be passed by the European Council and European Parliament before it can be adopted.

Already, concerns are being raised in the United Kingdom that the directive would impose tougher solvency and investment rules than those already operating successfully in more liberal countries.

Although any move to create a pan-European market for privately funded pensions is positive and could mean substantial cost savings for multinational companies, "none of us want to see a Europe-wide straitjacket" of stricter solvency and investment rules imposed on pension funds, said Alan Pickering, chairman of the National Assn. of Pension Funds in London.

A recent survey by the NAPF found that the majority of pension plan sponsors say that U.K. regulations have grown excessive in recent years, particularly in the wake of the Maxwell pension scandal (*BI*, Jan. 15).

While that is the majority view in the United Kingdom, the situation may be viewed differently in other countries, Mr. Pickering noted.

"France has very few funded pension schemes and they would want to have a very heavily regulated private sector before moving away from the state sector," said Mr. Pickering.

"For some countries, such as France, the concept of funded pensions is a giant leap from their current state-provided system and one can understand the desire for great prudence, but we would not want to see existing systems and arrangements which work well in the U.K. overturned," agreed Mr. Mortimer from the Society of Pension Managers. BI

Tunnel

Continued from page 1

manager for the city of Los Angeles.

But a commitment to safe practices and a multimillion-dollar investment in new tunneling technology helped attract insurers and win favorable rates for the new project, they said. The city found several insurers willing to provide workers compensation, general liability and other coverages for the construction of the sewer lines, which will run about 19 miles through densely populated Los Angeles communities. Consequently, construction likely will begin next month on the project. The sewer should solve the city's problem of raw sewage overflowing onto streets. A state agency mandated elimination of the overflow.

Aon is both the broker for the project and the administrator of the OCIP. The winning bid to provide insurance coverage for the program came from New York-based American International Group Inc.

Under an OCIP, the owner of a construction project provides the insurance coverage for the project's contractors and subcontractors, which are then required to deduct the cost of insurance from their construction bids.

The owner can reduce construction costs by purchasing insurance on a volume basis, providing it at a lower cost than an individual contractor could. The owner can further lower insurance costs by enforcing contractor safety practices.

Los Angeles had other reasons for creating an OCIP, such as being able to hire local small and minority-owned contractors who otherwise might not be able to buy the appropriate coverage limits, Mr. Parker said.

AIG locked in the price it quoted the city nine months before construction began, though the rates for workers compensation in California have risen sharply during that time. The project has an estimated $72 million payroll.

AIG also insured the MTA's subway project after the transit agency's original primary insurer, Argonaut Insurance Co. of Menlo Park, Calif., declined to renew its coverage. The MTA is suing Argonaut and its case is expected to go to court this summer, a transit authority spokesman said.

For Los Angeles' sewer OCIP, the insurance rates provided by AIG are guaranteed through the life of the project, which is expected to take four years to complete. The city has the option of adding to the program other sewer construction projects, making the OCIP a "rolling wrap-up," Mr. Parker said. And Los Angeles already has notified the insurer that it may expand the OCIP to include another $400 million in construction, he said.

The OCIP is expected to save Los Angeles at least 0.75% of construction costs, or $3 million, according to a feasibility study prepared by Aon.

The savings could be even greater, though, because the city can also earn dividends under its insurance policy, depending on the project's loss history. Potential dividends range from $400,000 for a 50% loss ratio to $2.5 million for a 10% loss ratio.

The city's target is to save 1% of total construction costs, Mr. Parker said.

But Los Angeles' true savings could be greater, depending on how much workers comp rates climb throughout the life of the construction project and that of the other projects the city adds to the rolling wrap-up program.

Still, among all the large Southern California construction projects on which her team has worked, Los Angeles' sewer tunnel ranks among the toughest coverage placements, Ms. Curry said. Finding insurance for miles of tunneling is simply much more difficult than is placing coverage for building sites, she explained.

The MTA tunnel was the only other significant tunnel project undertaken in Southern California; therefore, AIG underwriters relied on it heavily for loss expectancy estimates, Ms. Curry said. Also, Southern California soil is unfavorable for tunneling, she noted.

And added to underwriting considerations were the worries of the city's political leaders—from the mayor and city council on down—who feared that tunnel construction could anger residents and business owners if ground subsidence were to cause property damage, Mr. Parker said.

To address such concerns, Los Angeles will spend $6.5 million each for at least four earth pressure balance tunnel boring machines. These have been used in a handful of U.S. cities and are being considered for projects in others, according to Los Angeles officials. Each machine costs about $2.5 million more than a conventional tunneling machine, they said. Unlike conventional sewer construction equipment, the boring machines don't create open trenches and are guaranteed to eliminate earth subsidence as they slowly bore underground paths.

That "gives a huge comfort level to insurance companies that they are not going to be paying out huge claims for business interruption losses during the project," Ms. Curry said.

Lowered underground through shafts, the machines eliminate caving and ground settlement—and thus prevent building property damage—through a combination of factors.

But the city relied on more than technology to ease community concerns about tunneling, attract insurers and minimize liability claims.

Los Angeles created a technical advisory board of independent engineering experts, including university professors, who reviewed plans to warn of potential problems, Ms. Curry said.

City engineers will also provide oversight during the project, and city construction inspectors will monitor for potential safety problems. They will have the authority to implement solutions to problems and will coordinate their efforts with a full-time OCIP safety engineer provided by AIG, Mr. Parker said.

"When you have all these levels of engineers...looking from the owner's prospective at what is being done, you have a smaller case for error once the project starts," Ms. Curry said.

Los Angeles will also conduct a preconstruction survey to document the condition of existing structures. The city has hired public relations firms and has added project details to its Web site. In addition, it has made its engineers available to residents and business leaders, so they will understand that potential ground subsidence problems have been addressed.

Contractors and subcontractors enrolled in Los Angeles' OCIP will be covered for: workers compensation losses, with a limit of $2 million per accident; general liability, with a $2 million per-occurrence limit and an aggregate limit of $4 million; and excess liability, with a $100 million limit. The limits are set on an annual basis. As well as being the primary insurer, AIG will participate in the excess coverage, as will Zurich Financial Services Group Inc., Mr. Parker said.

The contractors and subcontractors will also have pollution liability insurance from AIG, railroad protective liability from underwriters at Lloyd's of London, and builders risk insurance from Allianz A.G. Holding. Aon's feasibility study found Los Angeles will save between $242,000 and $561,000 by providing the coverages to contractors, rather than letting them buy the coverages themselves and pass the cost onto the city.

Los Angeles will pay Aon $583,851 for its services as broker and OCIP administrator over five years. According to city documents, Aon will also assist the city in several ways, including claims management, administration of safety programs, and review of construction bids to ensure that contractors have excluded insurance costs. BI

Minnesota

Continued from page 1

Employee Relations in St. Paul.

For example, while employees could choose from as many as 24 different benefit options, a one-page summary of the program detailed only four options, and offered a toll-free number and a Web site address where employees could get more information on the other options.

"We liked the idea, based on employee focus groups, of listing options that could fit on one page. Other plans try to list every benefit option, and that can just end up confusing employees. That hasn't worked," Mr. Strebe said.

In addition, the employee relations department resisted suggestions by several insurers interested in writing the business to offer very rich—and costly—benefits.

"Our philosophy was that some coverage is better than no coverage and that employees might talk themselves out of it" if the cost were too high, Mr. Strebe said. "The lesson to other employers is: If you want broad participation, know your population. Don't gear the plan design to appeal only to managers."

For example, while prospective insurers suggested design options in which employees could receive a reimbursement for nursing home expenses of up to $160 or $180 per day, the state chose a maximum nursing home benefit of $120 per day.

At the same time, Minnesota offered employees the ability to enroll in the plan online—an option that about 50% of enrollees used, which, according to CNA, is an exceptionally high online enrollment rate, Mr. Strebe said.

While many employers rely on outside consultants to design and write LTC marketing materials, Minnesota did most of that work itself.

"We tried to put our own stamp on this program and make use of our own resources," he said.

To be sure, a little luck also helped to achieve the high enrollment rate. At the time the program was offered last fall, the economy still was strong, giving employees comfort that they could afford to purchase coverage. On the other hand, the stock market was beginning to slip, making more employees aware that they couldn't necessarily count on investment gains to fund future nursing home or other LTC expenses, Mr. Strebe said.

Like many LTC plans, the Minnesota program provides coverage if an individual cannot perform at least two of six activities of daily living, such as toileting and feeding oneself.

Premiums are directly linked to employees' age and policy limits. For example, a 45-year-old employee who purchased an LTC policy that reimbursed up to $120 a day in nursing home expenses would pay a biweekly premium of $10.60. An employee who bought a policy at age 55, however, would pay a biweekly premium of $21.51.

Like most LTC plans, Minnesota's includes a provision in which 100% of premiums paid are returned to an enrollee's estate if the enrollee dies before age 65. After age 65, the percentage of premium returned decreases by 10% each year until age 75.

Employees can pay premiums through payroll deduction, direct billing or automatic bank draft.

As an added sweetener, enrollees, under a Minnesota law, can apply for a state tax credit of up to $100 per year.

The coverage is underwritten by CNA subsidiary Continental Casualty Co. in Chicago. BI

ADVERTISER INDEX

Issue of February 5

ADVERTISER	PAGE #
American Assoc. of Orthodontia	24
Anthem Health Care	22R
Axis USA	16
Blue Cross Blue Shield	15
Business Insurance	22
Centre Solutions	6
ECS	12
Environmental Risk Mgmt. Inst.	28
Fireman's Fund McGee	19
General Star Management	13
Gulf Insurance Company	4
Kemper Environmental	7
Liberty Mutual	32
Metropolitan Life Ins. Co.	10,11
Old Republic Risk Management	21
Partner Reinsurance	9
Risk & Insurance Mgmt. Society	18
Society of Env. Ins. Prof.	16
Utilicorp/Energy Grp.	17
Wausau Insurance Company	5
Zurich	25

COMMENTARY

Misleading label on benefit plan

If we are to believe some experts, consumer-directed health care purchasing will improve the quality of medical care patients receive.

The theory goes that employees selecting their own health care plans will flock to quality health care plans, and by so doing doctors will be encouraged to provide better service to attract patients.

I don't buy the theory. It implies that employers don't care about quality when they select health plans for their employees.

I believe that employee benefit managers and their advisers can do a better job of researching and selecting high-quality health care plans that contract with high-quality doctors and hospitals than most employees whose jobs do not entail becoming experts in health insurance.

I'm all for giving employees a selection of health plans to choose from, be it different deductibles or plan design, and allowing employees to buy more or less expensive plans depending on their needs and preferences. But I want the benefit of professionals selecting the plans from which employees choose.

I think all this talk about self-directed health plans improving the quality of health care for employees is a smoke screen for what is really going on.

The real driving factor for self-directed health plans is the desire of some employers to reduce their involvement in health care plans. They just want to allocate a certain amount of money to each employee to buy their own health care and let them deal with the consequences. Just think, no more hassles negotiating health insurance plans or trying to help employees with difficult claims.


Kathryn J. McIntyre

As a result, companies have sprung up to sell programs responding to what they see as an employer demand for a new way of assisting employees with purchasing health care services.

Employers concerned about quality health care should focus on the issues identified by a survey of doctors in industrialized nations around the world (*BI*, Jan. 22).

The survey, released by the Harvard University School of Public Health and The Commonwealth Fund, reports that 56% of generalist doctors in the United States think that their ability to provide quality care has gotten worse in the last five years. In Canada and New Zealand, the numbers aren't encouraging, either: 59% and 54%, respectively. And the news isn't much better in the United Kingdom, where 45% say their ability to provide quality care has gotten worse. In Australia, 38% of doctors say their ability to deliver quality care has worsened.

Asked what the problems are, the doctors level a startling indictment of ineffective risk management.

In all five countries, many physicians gave low marks to the job hospitals do in finding and addressing errors, although doctors in the United States were the most satisfied with hospitals' risk management efforts. Outside the United States, about half of all specialists surveyed rated hospitals as fair or poor on medical error tracking systems. In the United States, a third of specialists gave hospitals a fair or poor rating on medical error tracking or correction systems, which is not a statistic to brag about.

Even more concerning to those dedicated to risk management, many doctors said they are not encouraged to report medical errors. In Canada, New Zealand and the United States, 64%, 46% and 44% of specialists, respectively, reported that they were either discouraged or not encouraged to report medical errors, with 38% of Australian and 28% of U.K. specialists expressing similar views.

The doctors said their ability to deliver quality care is impaired by other factors, too, including a shortage of nursing resources and not having enough time to spend with patients.

If employers are really concerned about improving the quality of health care delivered to their employees, rather than dumping health plan choice on their employees they might begin by asking health plans to prove that the hospitals in their networks have effective risk management plans in place.

If employers want to wash their hands of selecting health care plans to cover their employees, so be it. But it's disingenuous to suggest that their motivation for doing so is to improve the quality of health care.

Publishing Director Kathryn J. McIntyre's commentary appears fortnightly and at www.businessinsurance.com. *She can be reached at kmcintyre@crain.com.*

Survey

Continued from page 1

important that companies face, their level of preparedness and understanding was low. Among U.S. respondents, technology risks ranked second only to employment-related risk, while in Europe, risk managers considered technology risks to be their No. 1 concern.

Nevertheless, only 25% of U.S. companies and 30% of European companies had established risk management committees or other formal structures to identify and monitor technology risks, according to the survey. And of those companies with such structures, just half said they felt the structures were effective. In addition, only 30% of respondents had reviewed the potential technology risks posed by a merger or acquisition.

While nearly all the companies surveyed had implemented some sort of computer security measure—including anti-virus software and firewalls—just 60% had introduced employee training programs to reduce technology risks, the survey found.

Just 52% of U.S. risk managers have quantified their companies' technology risks, compared with 67% of their European counterparts, the survey showed.

In both the United States and Europe, the survey found, risk managers tended to defer to their information technology departments in regard to technology risks. About 65% of U.S. risk managers and 57% of their European peers said their IT departments had primary responsibility for identifying and monitoring technology risks.

The U.S. agents and brokers surveyed were critical of their clients' response to the issue of technology risks, with the majority describing their clients' identification and management of technology risks as "fair." Fifty-nine percent of brokers reported that their clients had met with insurers to discuss e-risks or had considered buying insurance policies that cover such risks.

The brokers surveyed did not consider the property/casualty policies currently available as adequate to cover technology risks. While 49% of broker respondents rated the current products as

'Employees must be educated to become more like risk managers,' says Kae Lovaas of St. Paul.

"somewhat adequate," 24% deemed them "not very adequate."

About 22% of broker respondents reported they had clients with losses resulting from computer viruses, but only 24% of these losses were insured. Of the risk managers polled, 27% reported losses from computer viruses.

While only 27% of the risk managers surveyed said they believed they needed specific coverage for technology risks, 52% of brokers said their clients needed such coverage. Nearly 60% of the brokers surveyed said that the Y2K threat had little or no impact on their clients' ability to identify and manage technology risks.

The survey also found that employee training about technology risks needs improvement.

"Employees must be educated to become more like risk managers," Ms. Lovaas said. She stressed that employee education was key to avoiding technology risks. But broker respondents said that only 64% of their clients had trained employees in technology risks. The survey's authors described employees as the "weak link" in online security. "Many companies lack employee training programs to sensitize employees to the risks and potential liabilities of technology and e-commerce," they said. "This is true of companies in both the United States and Europe, even though technology gives front-line employees unprecedented access to company information and assets."

Ms. Lovaas said that companies must be aware of the threat posed to their intellectual property by disgruntled former employees who may seek to use information maliciously.

The survey found that problems faced by risk managers and the level of awareness of these problems were broadly similar both across Europe and in the United States. "Technology has created a confluence between the U.S. and Europe," said Mark Schulman of Schulman, Ronca & Bucuvalas. "When we compare preparedness (for technology risks), we find a lot of similarities (between Europe and the United States). This is a global problem."

Ms. Lovaas advised insurance buyers who are concerned about technology risks to review their insurance programs and identify gaps in coverage. Companies can buy coverage for denial of service and hacking, she noted. But she stressed that liability varies from case to case and there is no one simple insurance solution to problems such as business interruption caused by denial of service from an Internet service provider.

SRBI surveyed risk managers in Belgium, Denmark, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom, as well as risk managers and agents and brokers in the United States.

•

Results of the survey, "The E-frontier: New Challenges to Corporate Risk Management," are available at www.stpaul.com/cyberrisk-survey.

Fraud

Continued from page 1

Among the most active prosecutors of employer premium fraud nationally is the district attorney's office of San Diego County, Calif.

"The largest premium fraud case in California history" is now pending in state courts, said Mr. King, who was involved in the investigation before he recently left Golden Eagle. The investigation found an estimated $5.5 million in losses from underpaid insurance premiums, payroll and other taxes and fines, Mr. King said.

In the case, a grand jury recently returned indictments against 23 individuals, said Dominic Dugo, a deputy district attorney who is assistant chief of the office's Insurance Fraud Division. Those indictments involve representatives of nine San Diego-area companies, mostly construction and roofing companies, Mr. Dugo said. He declined to provide additional details until the litigation is completed.

Investigators hope, though, that convictions will result, as was the case with Dennis L. Russell, a resident of Rancho Santa Fe, Calif. The San Diego-based cement contractor is currently serving a six-year jail sentence. A California state court also ordered Mr. Russell to pay hundreds of thousands of dollars in overdue insurance premiums, payroll and income taxes and other penalties.

Other successful prosecutions have resulted from the work of the Insurance Fraud Bureau of Massachusetts, the only industry-funded agency of its kind that investigates both claimant and premium fraud and helps fund prosecutions. According to a study, the bureau's efforts in cases completed from 1991 through 1999 resulted in $10.3 million in restitution,

'It can still be a challenge to get prosecutors to focus on employer premium fraud,' says Tom Driscoll.

including $8.4 million related to workers comp premium fraud.

Despite these successes, "it can still be a challenge to get prosecutors to focus on employer premium fraud," said Tom Driscoll, a senior vp with the business market unit of Liberty Mutual in Boston.

But other successful strategies have emerged to help fight employer premium fraud, several sources say.

The creation of multidisciplinary task forces, comprising representatives from federal and state agencies such as payroll and employment tax officials, can enhance the results of investigations "severalfold," said Terrence Delehanty, general counsel with the National Council on Compensation Insurance in Boca Raton, Fla.

And increased regulatory oversight and tougher penalties also may help reduce premium fraud, he said. For example, the increased use of multiple coordinated policies for employee leasing firms has helped insurers to better track the losses of the individual client companies of such firms (*BI*, Oct. 30, 2000), he said.

Still, he said, growth in the number and size of companies that provide and use temporary help is creating new auditing concerns.

Publicizing successful fraud convictions may also have a deterrent effect, Mr. Delehanty said. The NCCI asks insurers to submit details about litigated fraud victories, so it can share the information with others through its online Fraud Forum. One such summary, for example, details how Liberty Mutual received $2.09 million in unpaid premiums, as well as $300,000 in punitive damages, as part of an award for fraud perpetrated by a Florida company.

The online forum can be found on the NCCI's Web site, *www.ncci.com.*

While no data is available about the total number of employer premium fraud cases prosecuted nationally, sources say that the incidence of such fraud has been steady or declining slightly.

Part of the reason for that trend is that residual markets for workers comp have dried up, Mr. Delehanty said. And as insurers have begun underwriting such risks voluntarily, they have done a better job of scrutinizing them, which has limited the opportunity for employer premium fraud, he said.

But "as the economy begins to slow down more," he warned, "I think you will see the fraud curve going up."

RRG

Continued from page 2

than $16 million, said Ms. Davis, who also is president and CEO of NIAC.

Like NIAC, the new RRG will offer charitable organizations several advantages over the commercial market, including better loss control and risk management services, while providing better policy terms and a stable source of coverage, Ms. Davis said.

"Our mission is to reduce the number of claims and the cost of claims. Fewer dollars spent on claims increases the resources organizations have for their programs," she said.

RRG members will receive a wide array of loss prevention services, including training in regard to driver safety, proper personnel practices and the preparation of contracts.

The new insurance program for nonprofit charitable organizations was made possible by $5 million donations from both the David & Lucile Packard Foundation and the Bill & Melinda Gates Foundation.

The $10 million in grants went toward the capital and surplus of the RRG and the development of a new association captive, National Alliance of Nonprofits for Insurance.

The association captive, also licensed in Vermont, is controlled by a board of directors drawn from the boards of NIAC and the new RRG.

'Fewer dollars spent on claims increases the resources organizations have for their programs,' says Pamela Davis.

The association captive will reinsure NIAC and the RRG and then purchase reinsurance from GeneralCologne Re and Swiss Reinsurance Co., which are the NIAC's current reinsurers.

In addition to the RRG and the association captive, a third organization—Alliance Member Services—has been formed to provide claims handling, underwriting, accounting and risk management services to the RRG, the association captive and the NIAC.

Ms. Davis said the advantage of forming an RRG is that federal law allows the groups to write coverage for members nationwide after meeting the licensing requirements of one state.

That, she said, eliminates the expense of using a commercial insurer to write policies, because the RRG is able to issue policies directly to policyholders.

Vermont was an ideal place to form an RRG, Ms. Davis said, because of the "service" orientation of that state's captive insurance division.

"They were supportive, and they understood what we were trying to do for the nonprofit community," she said.

"They were forthcoming about what they needed and clearly communicated to us as to their expectations," Ms. Davis said.

The RRG will be managed by Vermont Insurance Management in Montpelier, Vermont, while Milliman & Robertson Inc. will provide actuarial services and Deloitte & Touche L.L.P. will provide accounting services. BI

Reform

Continued from page 2

The real focus, therefore, will be on the Senate, Mr. McConnell said. A 50-50 split between Republicans and Democrats and the loss of some pro-reform GOP senators from the Judiciary Committee means that reformers face "a very difficult lineup" on the committee.

"Is it a lost cause—legal reform? I don't think so," Mr. McConnell said. He noted, though, that "overreaching won't get you anywhere." Any legislation "must be carefully crafted" to earn enough Democratic support to withstand possible filibusters.

Mr. McConnell cited a class-action procedural bill that passed the House and the Senate Judiciary Committee in the last Congress as an example of the type of legislation that may have a chance of passage under even such difficult circumstances.

The bill in question, which did not go beyond the Judiciary Committee in the Senate, would have allowed parties in certain class actions to have their cases moved from state to federal courts, a move some tort reform advocates maintain will provide a fairer forum.

"Whatever is introduced will have to wend its way through very careful and narrow straits," Mr. McConnell said. No "carte blanche" tort reform bills will have "any hope of passing," he said.

But another speaker asserted that the public is weary of tort reform efforts. "Hopefully, we're going back to restoring access to justice," said Barry J. Nace, a partner in the Washington law firm of Paulson & Nace and a former president of the Washington-based Assn. of Trial Lawyers of America.

As for arguments favoring tort reform, Mr. Nace said, "I believe the people are kind of fed up." Tort reform is "designed to make it more difficult for the one who is wronged to be compensated" by the wrongdoer, he said.

'What tort reform really represents is a dissatisfaction with the legal system,' says Robert Peck of the Assn. of Trial Lawyers of America. Tort reform is, he says, 'an attempt to help the habitually negligent and the habitually reckless.'

Mr. Nace was particularly critical of the placing of caps on medical malpractice awards. Ultimately, he said, taxpayers end up paying for the services and care required by malpractice victims whose awards are limited by law. "Some people have called this welfare for the wrongdoer," he said.

"What tort reform really represents is a dissatisfaction with the legal system," said another opponent of business-backed tort reform efforts. Tort reform is "an attempt to help the habitually negligent and the habitually reckless," said Robert Peck, senior director-legal affairs for ATLA.

Common law gives the right to determine damages to juries, Mr. Peck said.

"In such a regime, caps on damages can never survive constitutional scrutiny," he said.

But President Bush didn't talk about damage caps during his campaign, noted Mark Behrens, co-counsel of the Washington-based American Tort Reform Assn. Instead, his campaign dealt with potential reforms such as barring from federal court those attorneys who "repeatedly file" frivolous lawsuits. Mr. Bush's campaign Web site also advocated granting teachers and principals some legal liability relief, Mr. Behrens said.

Under existing circumstances, Mr. Behrens said, it might be possible to enact those two reforms; the class-action reform cited by Mr. McConnell; and a "client's bill of rights," which would spell out exactly what services a lawyer's potential client would receive as well as what those services would cost. But the enactment of "draconian" reforms will not be possible, he said.

Another area that's ripe for reform—although on the state rather than the federal level—is the enactment of so-called "sunshine" reforms, which require states that hire outside private counsel to pursue large-scale litigation—such as the state-sponsored lawsuits brought against tobacco companies—to choose such counsel through open bidding, Mr. Behrens said.

Three states have already enacted such legislation, and others appear likely to follow suit, Mr. Behrens said.

Glenn Lammi, chief counsel of the Washington Legal Foundation, moderated the discussion. The WLF is a public policy think tank and litigation center that favors free-market measures. BI

Reliance

Continued from page 2

Group Holdings has more than $500 million in outstanding bank and bondholder debt, and it has been fighting a tender offer by billionaire investor Carl Icahn for $40 million of its debt.

Mr. Icahn's tender offer, which was made in December, was set to expire late Friday, after a judge last week overturned a stay on the offer.

Prior to making the tender offer, Mr. Icahn owned $43.6 million worth of the bonds, and he has agreed to an open-market transaction in which he would purchase another $10 million worth of bonds.

As of Jan. 30, about $21 million worth of the bonds had been pledged and were not withdrawn from the tender offer.

That total of about $75 million would still fall short of the $97 million—or one-third of the total of $291.7 million in bonds—that Mr. Icahn would need to guarantee blocking the restructuring plan that Reliance is negotiating with regulators.

Even if he does not succeed in acquiring one-third of Reliance's bonds, Mr. Icahn's stake could be enough to block the restructuring plan if other bondholders were to vote with him or fail to vote.

Also last week, A.M. Best Co. downgraded its financial strength rating of Reliance Insurance Co. to E, under regulatory supervision, from D, or poor. BI

UPDATES

New Mexico regulator ousted

SANTA FE, N.M—As a New Mexico commission moves to terminate the state's top insurance regulator, a state lawmaker is renewing efforts to strip the commission of that authority and to make the regulator accountable only to voters.

Three of the five elected members of the Public Regulation Commission voted last week to notify Insurance Superintendent Don Letherer that he has been terminated for cause.

One of the commissioners, Tony Schaefer, and PRC Chief of Staff Jack Hiatt said they could not discuss the matter, which they called a "personnel issue." The other commissioners who voted to oust Mr. Letherer did not return calls.

The two commissioners who have objected to the commission's decision to discipline Mr. Letherer did not review the letter and abstained from the vote.

Mr. Hiatt remained the acting superintendent until Friday, when he left to assume another state position. He took over the superintendent's duties Jan. 16, when the PRC placed Mr. Letherer on paid administrative leave pending disciplinary action. The commission named Mr. Letherer superintendent in October 1999.

Eric Scott Jeffries, an attorney for Mr. Letherer, said Mr. Letherer was the victim of a political power struggle, triggered by Mr. Letherer's refusal to relinquish some of the regulatory power his office has under state statute. Other state regulators that the commission oversees do not have the same regulatory authority, Mr. Jeffries said. Mr. Jeffries said he and Mr. Letherer would meet to determine their next course of action.

Mr. Schaefer denied there was a power struggle and said the commission would move as quickly as possible to appoint a new superintendent.

In a separate action, a state representative has introduced a measure designed to make the insurance superintendent an elected position. New Mexico voters, though, would have to approve such a change through a referendum amending the state constitution.

WQIS pumps up oil spill limits

NEW YORK—Water Quality Insurance Syndicate is doubling its available limits for oil spill coverage to $10 million.

The increase was made both to offer added coverage and to ensure that WQIS' own spill response team handles the entire emergency period after an oil spill, said Richard Hobbie, president of the New York-based pollution liability insurer.

Under normal circumstances, primary insurers remain involved in the response to an oil spill only until the limits they offer have been exhausted, Mr. Hobbie said. Thereafter, the excess insurers take on the responsibility for managing the spill, he said.

By increasing its limit—to the greater of $10 million or statutory limits set by the Oil Pollution Act of 1990, up to a maximum of $20 million—WQIS will ensure that its spill response unit, Marine Pollution Response Group, will manage the entire emergency period of most spills it covers, Mr. Hobbie said.

Typically, excess insurers do not have in-house spill management teams to respond to emergencies, he said.

ACE restructures operations

HAMILTON, Bermuda—ACE Ltd. is dividing its operations into two groups and broadening the responsibilities of several senior executives.

In addition, Hamilton, Bermuda-based ACE said last Thursday that it is planning to enter the life insurance market.

Under the new structure, Dominic Frederico, who currently is president and chief operating officer of ACE Ltd., will become group president and chief executive officer of the new U.S. & Bermuda Group.

John Charman, who currently is CEO of ACE Global Markets in London, will be group president and chief executive officer of the other new group, ACE International Group.

Gary Schmalzriedt, who is president of ACE Bermuda Insurance Ltd., will become president and CEO of the combined operations of ACE Europe and ACE Global Markets and will be based in London.

Mark Herman, senior vp in the casualty division at ACE Bermuda, will become president and CEO of ACE Bermuda.

Additionally, Kingsley Schubert, currently president of ACE International, will lead an initiative to take ACE into the life insurance market.

Briefly noted

London-based **Hiscox P.L.C.** last week rejected a takeover bid by Chubb Corp., citing an inability to reach agreement on Chubb's offer of 210 pence ($3.09) per share, Hiscox Chairman Robert Hiscox said. He would not say whether Hiscox had any other potential suitors. Warren, N.J.-based Chubb still holds a 27.7% stake in Hiscox, its only holding in the Lloyd's market....Richmond, Va.-based broker **Hilb, Rogal & Hamilton Co.** has bought Dulaney, Johnston & Priest, an agency in Wichita, Kan., for an undisclosed amount. DJ&P has annual revenues of about $6.5 million from property/casualty and employee benefits business....**The St. Paul Cos. Inc.** has bought Australian Pacific Surety Corp. Ltd., a Sydney, Australia-based underwriting agency, for an undisclosed amount. St. Paul would not provide any financial details about the surety agency....**Chubb Corp.** has announced that Weston Hicks, a property/casualty insurance industry analyst for J.P. Morgan & Co. Inc., will join the insurer March 1 as a senior vp and financial assistant to Chubb Chairman and CEO Dean O'Hare. Mr. Hicks will work on a broad range of strategic financial issues, including risk management, investment management and mergers and acquisitions.

FOR THE RECORD

Excerpts from *BI*'s Daily Online Updates, Jan. 29 - Feb. 2, 2001

M&M POSTS GAINS Marsh & McLennan Cos. Inc. saw both top- and bottom-line growth in 2000. Brokerage revenues, including those from its risk and insurance and consulting services, increased 6.8%, to $6.9 billion, last year. Corporatewide revenues, which include investment income and revenue from The Putnam Co., Marsh's Boston-based investment management company, increased 10.9%, to $10.2 billion, over 1999. Net income improved 62.7%, to $1.2 billion, for the year. Excluding a $233 million special charge taken in the fourth quarter of 1999—relating to the integration of Sedgwick Group P.L.C., which Marsh acquired in 1998—profits rose 23% in 2000. In a statement, the world's largest broker noted that the integration of Sedgwick has "proceeded smoothly and ahead of schedule." Marsh said its results were helped by net consolidation savings, which totaled $30 million in 1999 and $90 million in 2000, and the broker anticipates an additional $40 million in savings for 2001. Marsh also attributed the results to new business growth and price hardening.

FRONTIER DELISTS FROM NYSE Frontier Insurance Group Inc. has decided not to fight the New York Stock Exchange's plan to delist the company's common stock. Frontier withdrew its request for a review of the NYSE's decision, made last November, to delist Frontier shares for failing to meet exchange listing requirements. Frontier transferred its stock listing to the Over-The-Counter Bulletin Board market on Feb. 2, and its "management continues to focus on executing our business plan and improving the financial strength of the holding company," Frontier President and Chief Executive Officer Harry Rhulen said in a statement. "We believe that the efforts and resources required to sustain our listing on the NYSE would be better spent focusing on the turnaround of the company." The NYSE found last year that Frontier no longer met the exchange's minimum market capitalization of $50 million and minimum share price of $1 over a 30-day trading period. Frontier's stock slid last year from a high of more than $3 per share to a low of just over 6 cents. The shares have since climbed to about 16 cents, and its market capitalization stands at roughly $6.7 million.

AETNA PROFITS FALL Aetna Inc. saw a sharp reduction in profits in 2000, due largely to special charges relating to its exit from Medicare markets, restructuring costs and the sale of its financial services operations, the health insurer announced. But profits were also affected by increased medical costs. For 2000, Aetna made a profit of $127.1 million, down 82.3% compared with 1999. Much of the decline is due to $381.9 million in various charges that Aetna took in the fourth quarter of 2000. For the fourth quarter, Aetna lost $406.3 million, compared with earnings of $134.4 million in the same period in 1999. Operating earnings for Aetna's health care business fell to $349.0 million in 2000, down 24.1% from 1999. The decline in operating earnings reflects higher medical costs for commercial and Medicare HMO products, an Aetna spokeswoman said. Gross health care premiums rose to $21.75 billion, a 26.8% increase over 1999. The increase was largely due, the spokeswoman said, to the inclusion of a full year of premiums derived from the business of Prudential Healthcare, which Aetna bought in August 1999.

W.VA. COMMISSIONER Jane L. Cline is expected to be confirmed as West Virginia's new insurance commissioner when the state Senate reviews her appointment in the near future, a spokeswoman for Gov. Bob Wise said. Mr. Wise, a Democrat, unseated incumbent Republican Cecil H. Underwood in the November election and subsequently appointed Ms. Cline to replace Hanley C. Clark. Since 1997, Ms. Cline has headed her own government consulting and lobbying firm. Before that, she held state government posts, including that of commissioner of the state's Division of Motor Vehicles from 1989 to 1997. She also was employed by the state's Division of Highways from 1979 to 1989, serving as deputy commissioner in 1989 and before that as district comptroller.

PRODUCT LIABILITY AWARD A Texas court jury on Jan. 27 awarded $80 million to a couple who were seriously injured when an aerosol sealant used for repairing flat tires exploded. Tradco, the Akron, Ohio-based manufacturer of Patch-a-Flat, was found liable by the jury for selling an unsafe product. In June 1998, Melissa Elizondo, then 18, lost her right eye and almost lost a leg when the Patch-a-Flat exploded while in use, according to court papers. Robert Perez, then 19, received severe burns and broken hands in the explosion, making it impossible for him to continue his work on an oil rig, according to a statement from Ms. Elizondo's attorney, Anthony Constant. The Corpus Christi, Texas-based attorney said that another, more-popular tire sealant product, Fix-a-Flat, was withdrawn from the market voluntarily by Pennzoil Corp. in 1999 because its flammability posed a danger to consumers and replaced with a non-explosive formula. A Tradco spokeswoman said that the company "is not making any comments at this point," and she declined to say whether insurance coverage would respond to the court award.

E-COMMERCE ALLIANCE Two insurance e-commerce companies have allied to provide small businesses with tailor-made insurance products and services. Independent agents affiliated with MarketScout .com will now have access to InsuranceNoodle.com to quote and place small-business property/casualty coverage. And InsuranceNoodle's users will be linked to MarketScout.com, where they will have access to more than 50 insurers for specialty products. "We have recognized that small-business owners need a wide variety of coverage, and, by teaming with MarketScout, we are able to offer them a more-diverse solution," said Don Urbanciz, chief executive officer of InsuranceNoodle, in a statement. The Chicago-based e-broker, launched last year, offers online services and tailored coverage to small businesses. Dallas-based MarketScout. com, which started operations last April, offers more than 300 industry and coverage classifications through thousands of brokers. MarketScout's strategy is to select insurers it deems are the "best in class" for each line of business and to connect retail agents to those insurers via its Web portal.

BRIEFLY NOTED Fireman's Fund Insurance Co. has named Jeff Post president and chief executive officer, effective immediately. Mr. Post succeeds Joe L. Stinnette, who last year announced plans to retire. Mr. Post has been chief financial officer of the Novato, Calif.-based unit of Allianz A.G. Holding since 1996....Mike McGavick has been named CEO and president of Seattle-based **SAFECO Corp.** He was previously chief operating officer of CNA Financial Corp.'s commercial lines unit. Mr. McGavick replaces the retiring Roger Eigsti as CEO, and he replaces Bob Dickey as president. Mr. Dickey, who also was a candidate for the CEO position, has resigned....The city of New York honored **Ernesta G. Procope** last Friday as an African American History Month Distinguished Honoree. Ms. Procope is founder, president and CEO of E.G. Bowman Co. Inc., the nation's largest woman- and minority-owned commercial insurance broker....**Crawford & Co.** President and Chief Operating Officer Grover L. Davis will become CEO of the Atlanta-based company on April 1. Crawford's current CEO, Archie Meyers Jr., will continue to serve as chairman. The duties of the current position of president will be taken on by Jeffrey Bowman, as president of international operations, and by Jim McGee, as president of domestic operations. BI

To get breaking news as it occurs, visit Business Insurance's free online Updates at www.businessinsurance.com. All of the material in the For The Record column, as well as other content in this week's issue, is generated from daily news postings that appeared on the Web site in the previous week.

Find daily coverage on Corporate Risk, Employee Benefit and Managed Health Care News at www.businessinsurance.com

BI Industry Stock Report JAN. 29, 2001, THROUGH FEB. 2, 2001

BROKERS

		Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)
Aon Corp.	NYS	34.71	2.46	1.34	42.75	20.69	4636
Brown & Brown	NYS	34.04	-2.39	-2.74	35.88	15.63	108
Clark Bardes Holdings	NDO	12.00	5.49	18.52	17.88	8.50	25
E.W. Blanch Holdings Inc.	NYS	12.60	-4.91	-27.74	62.00	12.44	1086
Gallagher Arthur J. & Co.	NYS	27.02	7.81	-15.06	34.25	11.53	1862
Hilb, Rogal & Hamilton	NYS	34.30	0.51	-13.98	42.13	25.63	124
Kaye Group Inc.	NDO	12.44	0.25	60.48	12.50	5.00	202
Marsh & McLennan	NYS	109.87	3.41	-6.09	135.69	70.50	5015
BROKERS	AVERAGE		0.78	-0.86			

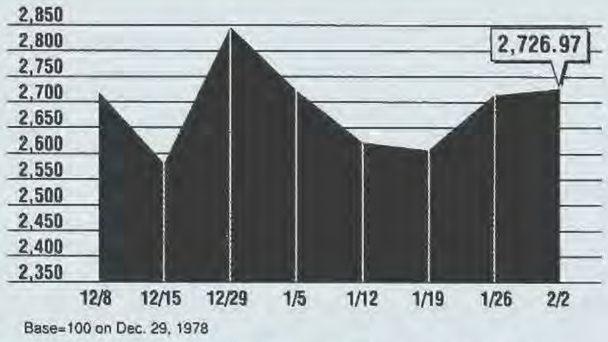
INSURERS/REINSURERS

		Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)
ACE Ltd.	NYS	37.95	-1.27	-10.57	43.94	14.06	8768
Accel International Corp.	NDQ	0.20	0.00	-32.64	1.13	0.10	5
Acceptance Insurance Cos.	NYS	5.01	-6.79	-4.57	6.94	2.75	83
AEGON N.V.	NYS	37.25	-3.25	-10.11	49.13	31.50	612
AFLAC Inc.	NYS	59.70	-3.71	-17.30	74.94	33.56	7567
Allmerica Financial Corp.	NYS	59.77	-1.61	-17.56	74.25	35.06	1476
Allstate Corp.	NYS	40.25	6.27	-7.60	44.75	17.19	13533
Ambac Financial Group	NYS	54.95	1.29	-5.77	58.31	25.91	3567
American Financial Group	NYS	26.33	-0.17	-0.88	29.00	18.38	600
American General	NYS	76.10	-0.85	-6.63	83.44	45.63	6846
American Intl Group	NYS	86.39	-1.55	-12.35	103.75	52.38	25488
American Safety Insurance	NYS	7.10	9.23	15.92	7.38	3.25	53
Argonaut Group	NDO	20.50	3.80	-2.38	21.25	14.44	170
AXA-UAP Group	NYS	67.38	-1.46	-6.17	81.50	58.25	887
Baldwin & Lyons Inc.	NDQ	23.31	-5.81	0.27	28.75	15.25	6
Berkley W.R. Corp.	NDO	35.84	-2.30	-24.04	47.63	14.00	736
Berkshire Hathaway Inc.	NYS	70000.00	4.17	-1.41	74600.00	668.00	1
Capitol Transamerica Corp.	NAS	12.94	5.08	4.02	13.25	9.38	16
Chubb Corp.	NYS	73.70	0.19	-14.80	90.25	43.25	4438
CIGNA Corp.	NYS	118.50	-2.27	-10.43	136.75	60.75	5202
Cincinnati Financial Corp.	NYS	35.75	-3.21	-9.64	43.31	26.19	2021
Citigroup	NYS	55.46	0.49	8.61	59.13	35.34	58705
CNA Financial Corp.	NYS	37.00	5.90	-4.52	41.94	24.56	856
CNA Surety	NYS	13.45	2.48	-5.61	14.94	10.38	95
EMC Insurance Group Inc.	NDO	11.25	-4.26	-4.26	13.13	6.81	11
ESG Re Limited	NDO	2.38	2.70	28.81	7.00	1.72	165
Enhance Financial Services	NYS	13.14	0.59	-14.88	17.00	8.63	1411
Everest Reinsurance	NYS	59.50	-4.03	-16.93	74.75	20.69	3199
Fremont General Corp.	NYS	2.63	10.74	-6.49	9.63	1.50	1085
Frontier Insurance Group	NYS	0.16	0.00	66.67	3.69	0.06	3786
Gainsco Inc.	NYS	3.38	-14.16	28.76	6.38	2.19	197
Harleysville Group	NDO	26.86	5.91	-8.12	30.63	11.63	178
HSB Group Inc.	NYS	38.75	0.00	0.00	40.63	21.50	0
HCC Insurance Holdings	NYS	23.15	0.38	-14.06	27.19	10.94	759
ING Groep N.V.	NYS	76.02	-0.87	-5.12	83.94	46.81	547
IPC Holdings Ltd.	NDQ	22.19	-1.39	5.65	22.88	9.75	120
Hartford Financial Services	NYS	63.75	2.62	-9.73	80.00	29.38	7606
John Hancock Financial Services	NYS	35.80	2.65	-4.85	38.25	13.44	4854
LaSalle Re Holdings Ltd.	NYS	18.86	0.00	0.00	19.38	10.88	0
Lincoln National	NYS	45.45	1.71	-3.94	56.38	22.63	3318
MAIC Holdings Inc.	NYS	17.25	4.15	3.37	23.13	10.00	71
Markel Corp.	NYS	166.82	-0.41	-7.83	183.25	111.50	146
MBIA Insurance Group	NYS	70.90	2.85	-4.35	76.19	36.31	3010
Meadowbrook Insur. Group	NYS	6.70	1.13	-17.54	8.38	3.94	9
MetLife	NYS	33.40	1.60	-4.57	36.63	14.25	7739
Mutual Risk Mgmt. Ltd.	NYS	13.15	-1.68	-13.42	23.75	12.31	882
Navigators Group	NDQ	13.44	0.47	0.94	14.13	8.63	118
NYMagic Inc.	NYS	17.75	-0.35	-5.96	19.25	12.25	3
Ohio Casualty Corp.	NDQ	10.50	-4.00	5.00	17.88	6.13	1949
Old Republic Int'l	NYS	28.35	-0.31	-11.41	32.06	10.63	1756
Partner Re Ltd.	NYS	49.90	-0.20	-18.20	62.50	28.38	1093
Penn-America Group Inc.	NYS	8.15	3.49	6.89	9.75	6.63	10
PMA Capital Corp.	NDQ	17.63	-1.74	2.17	20.06	15.19	69
Philadelphia Cons. Holding	NDQ	27.88	4.21	-9.72	31.25	14.13	175
PXRE Corp.	NYS	17.55	1.74	4.00	17.88	11.75	299
ReliaStar Financial Corp.	NYS	53.94	0.00	0.00	53.94	23.75	0
RenaissanceRe Holdings Ltd.	NYS	78.10	5.54	-0.27	81.50	35.88	894
RLI Corp.	NYS	45.20	-1.20	1.15	46.16	26.25	66
St. Paul Cos.	NYS	48.00	-0.65	-11.62	57.00	21.31	6424
SCOR	NYS	48.88	0.78	-2.73	53.75	38.38	27
SAFECO Corp.	NDQ	24.69	1.80	-24.90	35.88	18.00	6305
SCPIE Holdings Inc.	NYS	24.85	3.27	5.19	36.94	18.31	NA
Seibels Bruce Group	NDQ	0.88	0.00	55.56	2.69	0.52	7
Selective Ins. Group	NDQ	22.06	-3.55	-9.02	25.88	14.63	156
Tokio Marine & Fire	NDQ	51.00	1.37	-10.53	61.00	45.00	93
Torchmark Corp.	NYS	34.70	-2.94	-9.72	41.19	18.75	2051
Transatlantic Holdings	NYS	97.48	-2.21	-7.93	107.06	68.75	180
Trenwick Group Inc.	NYS	23.79	-2.90	-4.12	27.13	12.00	231
Unico American Corp.	NDQ	6.50	6.12	10.64	7.88	4.50	2
United Fire & Casualty	NDQ	22.75	-1.09	15.19	25.00	15.50	6
Unitrin	NDQ	37.63	-0.50	-7.38	41.94	27.19	194
UNUM Corp.	NYS	29.67	0.58	10.40	31.94	11.94	3591
Vesta Insurance Co.	NYS	7.80	15.56	54.07	8.39	3.44	1496
XL Capital Ltd.	NYS	78.44	-1.49	-10.23	89.25	39.00	4245
Zenith National Ins.	NYS	29.45	0.90	0.26	30.60	18.75	82
INSURERS/REINSURERS	AVERAGE		0.63	-2.06			

HEALTH MAINTENANCE ORGANIZATIONS

		Price	Weekly % change	Year to date %change	Year to date High	Year to date Low	Vol.(000)
Aetna Inc.	NYS	38.58	-1.55	-6.05	42.69	32.94	4956
Health Net Inc.	NYS	21.50	-1.71	-17.90	26.94	7.63	3773
Humana Inc.	NYS	12.30	-1.60	-19.34	15.81	4.75	3612
Oxford Health Plans	NDQ	34.31	1.67	-13.13	42.75	12.06	7933
Pacificare Health Sys.	NDQ	24.69	9.72	64.58	72.31	9.81	5093
Sierra Health Services	NYS	5.53	9.72	45.53	8.25	2.44	709
United HealthGroup	NYS	61.10	2.15	-0.45	63.44	23.19	13051
Wellpoint Health Networks	NYS	100.98	2.19	-12.38	121.50	56.94	2307
HMOs	AVERAGE		3.16	6.70			
ALL COMPANIES			1.53	1.26			

BI Insurance Index



Base=100 on Dec. 29, 1978

Top advancing issues: Vesta Insurance Co., Fremont General Corp., Sierra Health Services. Leading decliners: Gainsco Inc., Acceptance Insurance, Baldwin & Lyons Inc. Most active issue: Citigroup. The *BI* Index increased 0.4%; the Dow Jones 30 Industrials went up 1.9%; the S&P 500 dropped 0.4%; and the NYSE Composite increased 0.7%. Average P/E: Brokers, 21.1; Insurers/reinsurers, 28.4; and HMOs, 15.8.

Source: *CNET Investor* (investor.cnet.com) Boulder, Colo.