

Business Insurance

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General Accounting Office warns that PBGC burden may be larger

WASHINGTON—The Pension Benefit Guaranty Corp. could face even larger losses than anticipated because pension plan reports filed by financially troubled firms often understate plan liabilities, the General Accounting Office said last week.

In a study of 44 failed pension plans that the PBGC took over between 1986 and 1988, the GAO found that the plans reported aggregate underfunding of \$1.7 billion prior to termination. But after taking over the plans, the PBGC determined

Continued on next page

Where the uninsured work

Nearly half of the 20.5 million uninsured workers work for employers with fewer than 25 employees. But more than a fifth work for larger companies.



Source: Employee Benefit Research Institute

GRAPHIC BY CHRIS ROY

More workers left without health cover as costs climb

By DAVE LENCKUS

Nearly eight of 10 U.S. citizens without health insurance are employees or their dependents, according to a new report by the Employee Benefit Research Institute.

The report, to be released this week, shows that the nation's non-elderly uninsured population increased 12.4% by 2.7 million people over three years to 36.3 million in 1991.

And, the ranks of working uninsured Americans likely will continue to swell—largely with workers at small companies, many of which will drop their group health plans as rates soar, said Bill Custer, director of research at the Washington-based benefits research organization.

Indeed, health care inflation is a bigger factor behind the growing number of working uninsured than is job growth in industries, like retail trade and other services, that generally do not provide coverage to as many employees as do other industries, Mr. Custer said.

"Some kind of health care reform is going to have to be enacted to slow this trend," he said.

EBRI's report, "Sources of Health Insurance and Characteristics of the Uninsured," is based on data collected by the U.S. Census Bureau for its March 1992 Current Population Survey. The EBRI report focuses on the non-elderly population because of the variety of different health care coverage sources available to this group. People with insurance for part of the year were

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Spill costs may be capped

International conventions on oil spill liability may limit insurer payout to \$32 million

By GAVIN SOUTER

SHETLAND ISLANDS, Scotland—Total insurance losses from the MV Braer oil tanker that grounded last week could be capped at around \$32 million if liability claims are limited by international pollution conventions.

Substantial pollution is likely from the tanker, which ran aground on the southern tip of the Shetlands in gale-force winds on Jan. 5. More than 200 wild birds have died, and island crops and livestock are threatened by the oil. Nearby commercial salmon farms had not been affected as of Friday.

Meanwhile, protection and indemnity club executives say that the Braer spill and the Aegean Sea oil spill in Spain last month (*BI*, Dec. 7, 1992) are unlikely to lead to higher P&I rates.

Nevertheless, the combined losses may make reinsurers wary of joining the P&I clubs' reinsurance program, which currently is being placed in the London market.

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AP/Wide World Photo

Millions of gallons of oil have leaked from the tanker Braer after it ran aground last week.

Report praising Prop. 103 called 'fiction' by insurers

By LOUISE KERTESZ and MARK A. HOFMANN

WASHINGTON—Proposition 103 is "an outstanding success," proclaims the head of an insurance consumer organization, summing up its new report on the controversial California law.

J. Robert Hunter, president of the National Insurance Consumer Organization, touted provisions in Proposition 103 for lower insurance premiums, better regulation, improved safety, lower insurance expenses and other benefits.

At a press conference last week



Photo by Tom Reed

Ralph Nader, left, and J. Robert Hunter presented the report praising Proposition 103.

to release the report, Mr. Hunter said the law has saved consumers \$4.2 billion in auto insurance premiums and praised Prop. 103 as "a shot across the bow of the bureaucracy of insurance."

But risk managers and insurers are considerably less impressed with the report's findings.

For example, the report heralds that the rate of auto premium growth in California fell to 2% per year after the measure was enacted from 11.7% per year before Prop. 103 was passed.

But risk managers and insurers say factors other than Proposi-

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FASB takes aim at financial reinsurance

By DOUGLAS McLEOD

Accounting rule may make transactions less attractive

NORWALK, Conn.—Ceding insurers face new accounting rules that will curtail the accounting benefits of some types of financial reinsurance and dramatically change the way they report reinsurance transactions in general.

The Financial Accounting Standards Board last month issued Financial Accounting Standard 113, which governs the reporting of reinsurance transactions by publicly traded insur-

ers using generally accepted accounting principles.

Among other things, the new rules state that a contract will be considered reinsurance only if it transfers "significant insurance risk" to the reinsurer and if it is "reasonably possible" the reinsurer will suffer a "significant loss" under the contract.

The rules also virtually eliminate the GAAP accounting benefits of such retroactive reinsurance contracts as loss portfolio

transfers or covers capping adverse development on prior years' business.

Meanwhile, FAS 113 also requires cedants to report gross liabilities in their balance sheets without reduction for reinsurance recoverables, a move that will dramatically increase reported liabilities for many insurers.

Industry officials and analysts expressed mixed opinions about the new standard.

While some financial reinsurers downplayed the rule's impact on their operations, several observers say they expect FAS 113 to produce changes in the financial reinsurance market.

"It's going to cut down on the use of financial reinsurance," predicted Myron M. Picoult, managing director and senior insurance analyst with Oppenheimer & Co. in New York.

"This limits the ability of primary companies to finagle their

numbers," he said.

The "gross-up" of insurance liabilities on the balance sheet, meanwhile, is seen by some as a valuable clarification of ceding companies' reliance on reinsurance. Others see it creating only confusion.

FASB, the rule-making body of the accounting profession, issued an exposure draft of the proposed reinsurance accounting rules in March 1992 and received written comments from 53 companies and groups (*BI*, March 30,

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Update

Unanticipated losses at PBGC

Continued from previous page
that they were underfunded by \$2.7 billion, 59% more than reported. Among the factors resulting in the higher-than-reported underfunding were: employers' liberal interest rate assumptions, earlier-than-anticipated retirements of plan participants, payments of plant shutdown benefits to participants after the plans had filed their last PBGC report, and misreporting of assets.

GAO officials say these "hidden liabilities" could mean that the PBGC's financial problems are worse than current estimates.

The PBGC, which now has a \$2.5 billion deficit, has estimated that it could face \$13 billion in claims if pension plans sponsored by financially troubled companies collapse.

Test case to protect policies

LAFAYETTE, La.—An insurance services firm's lawsuit alleging misappropriation of its copyrighted workers compensation policies will be a test case "in the use of intellectual property law to protect an insurance innovation," said the firm's lawyer, Bruce Foudree of Keck, Mahin & Cate in Chicago.

B&S Underwriters Inc. of Alexandria, La., last week filed suit in federal court, alleging that two competitors violated federal copyright law and state trade secret law by marketing the policies.

According to the lawsuit, B&S shared two confidential policies and related material with two potential business partners in 1991. B&S alleges that after talks broke off, the two insurers filed policies in Alabama in 1992 that were "virtual exact duplicates" of B&S's integrated policies for "group employers death, disability, burial and medical benefits" and "employer's liability named peril."

The defendant insurers are Clarendon National Insurance Co. of New York and Sterling Investors Life Insurance Co. of St. Petersburg, Fla. Both are units of Kansa Corp. of Finland.

B&S's lawsuit seeks injunctions, unspecified compensatory and punitive damages, and destruction of all infringing policies.

Homestead Insurance Co. of Hoboken, N.J., Guarantee Mutual Life Co. of Omaha and general agent Jadil Inc. in Birmingham, Ala., are licensed to sell B&S's package.

7th Florida insurer liquidated

TALLAHASSEE, Fla.—Insurance Co. of Florida, a small Clearwater-based insurer that writes primarily personal and commercial mobile home coverage, was ordered liquidated by a Leon County Circuit Court on Dec. 30.

Although Florida regulators say the liquidation order is unrelated to Hurricane Andrew, Insurance Co. of Florida is the seventh Florida insurer to be liquidated since the storm struck in August.

As of September 1992, the insurer had \$13.9 million in liabilities, assets totaled \$16.5 million and its policyholder surplus stood at \$2.6 million, according to the Insurance Department. Since then, the department estimates it has incurred an additional \$6.7 million in direct unpaid claims, of which Hurricane Andrew contributed \$3.2 million.

The company, which began writing business in Florida in 1971 and is licensed in 22 other states and Puerto Rico, wrote \$2.8 million in direct premiums in Florida in 1992.

So far, six Florida insurers have been declared insolvent under the weight of hurricane claims, prompting the guaranty fund to issue tax-free municipal bonds to cover unpaid claims that exceeded its assessment capacity (BI, Nov. 23, 1992; Nov. 2, 1992).

Updates continued on page 30

Errors & omissions

• A client of R.K. Carvill & Co. Ltd. did not try to place \$100 million in property catastrophe reinsurance in London as reported in the Jan. 4 issue. The insurer sought \$70 million in coverage, all of which was placed in London.

• The Hillsborough County, Fla., School District paid \$570,000 for \$200 million in property insurance. The amount was incorrectly reported in the Jan. 4 issue.

• Raytheon Corp. will take a \$500 million pretax charge amortized over 20 years to comply with retiree health care cost accounting rules. The charge amounts to about \$330 million aftertax. It is not a one-time charge as incorrectly reported in the Dec. 28 issue.

• Coopers & Lybrand Human Resource Advisory Group's U.S. offices are located in Albany, N.Y.; Atlanta; Baltimore; Boston; Chicago; Cleveland; Columbus, Ohio; Dallas; Detroit; Houston; Los Angeles; Louisville, Ky.; Minneapolis; New York; Parsippany, N.J.; Philadelphia; Pittsburgh; San Francisco; Seattle; Stamford, Conn.; Syracuse, N.Y.; Tampa, Fla.; and Washington D.C. Some of the offices were omitted in the Dec. 21 issue.

The Dec. 18 Managed Care Market Report contained several errors:

- Aetna Health Plans of New Jersey Inc. incorrectly reported that it allows individual enrollment.

- Prudential Health Care Plan Inc. serves 1.1 million employees and dependents.

- PruCare Plus-South Florida's questionnaire was not received. For information on the point-of-service plan call Kathie Amspacher at 404-933-6870.

- MultiPlan Inc. contracts with approximately 2,200 hospitals.
- The revenues reported by National Healthcare Alliance's Texas PPOs include claims paid to hospitals and physicians.

- Incorrect information was supplied by ETHIX Mid-Atlantic. The correct listing appears on page 29.

McCarran, family leave already before Congress

By JERRY GEISEL

WASHINGTON—Backers of proposals to overhaul the McCarran-Ferguson Act and to require employers to offer family and medical leave benefits aren't wasting any time putting those measures back on the congressional agenda.

On the opening day of the 103rd Congress, which began last week, House Judiciary Committee Chairman Jack Brooks, D-Texas, introduced the same bill—with the identical number, H.R. 9—proposed during the last session that would scale back in-



Congress' agenda taking shape

surers' immunity from antitrust law.

And, the first bill introduced in the new session—H.R. 1—is a copy of the family leave legislation passed by Congress last year but vetoed by President Bush. It would require employers with

more than 50 workers to offer up to 12 weeks of unpaid job-protected leave for employees in certain family-related situations, such as the birth of a child or the illness of a parent.

A slew of other bills that would affect employee benefit and risk management programs also were introduced in the House of Representatives last week. No bills were introduced in the Senate.

Like earlier versions, Rep. *Continued on page 29*

Driven to high court

Insurers want justices to wreck N.J. auto insurance act

By MARK A. HOFMANN

WASHINGTON—A New Jersey law designed to prevent disruption of the state's personal auto insurance market could instead significantly disrupt the commercial insurance market if it is not overturned by the U.S. Supreme Court, say insurance and business groups.

The American Insurance Assn. has joined the Twin City Fire Insurance Co., a unit of ITT Hartford Insurance Group, in asking the Supreme Court to review New Jersey's Fair Automobile Insurance Act of 1990.

The act allows the insurance commissioner to require all affiliates of any insurer that wants to stop writing personal auto insurance in the state to surrender their property/casualty licenses. The act was upheld last summer by the New Jersey Supreme Court.

The justices could decide whether to review the law before the end of the month.

"It certainly has the potential to adversely affect all property/casualty lines," said David F. Snyder, senior counsel for the American Insurance Assn. in Washington.

"While the state has, in our view, extensive regulatory authority, it has its limits," added Mr. Snyder. Under New Jersey's law, the state can attempt to remedy the problem in one market—personal auto—by regulating other markets, in this case, ITT Hartford's commercial insurance affiliates, he said.

"It's a commercial to personal subsidy issue," said Mr. Snyder.

New Jersey's statute is intended to minimize disruption in the personal auto market, but if the justices decline to review the law or rule in favor of the state, *Continued on page 28*

London insurers cover second big cash heist

ROCHESTER, N.Y.—Brinks Inc. is insured for the approximately \$7 million stolen last week from its Rochester, N.Y., armored car depot by two masked gunmen.

It was the second major heist in as many weeks. On Dec. 27, \$8.3 million was stolen from a New York armored car company (BI, Jan. 4).

Insurance for Brinks was placed in London by Willis Corroon P.L.C. The coverage is led by Lloyd's of London syndicate 209, managed by Sturge Marine Syndicate Management Ltd. The limit on the policy is in excess of \$10 million.

Two armed men wearing ski masks entered the Brinks depot last Tuesday and blindfolded one worker and tied up two other guards. The robbers then escaped with a hostage and about \$7 million in cash. The employee taken hostage was later dumped unharmed outside the city, police said.

"We have no suspects in the case. One can only assume that the robbers had some direct or indirect inside help," a spokesman said.

Florida governor unveils universal health proposal

By MICHAEL SCHACHNER

TALLAHASSEE, Fla.—Employers would have the option of participating in health care purchasing groups under a Florida health care reform proposal that could be in place by the end of 1994.

In response to a 1992 legislative mandate to establish a universal health care program in Florida by the end of next year, Gov. Lawton Chiles last week unveiled a managed competition plan that he said would ensure full access to quality, affordable health care.

The plan would cover all of Florida's 14 million citizens, of which 18% currently lack health care coverage.

At the heart of the proposal is the establishment of state-chartered, non-profit Community Health Purchasing Alliances composed of businesses, government and individuals. The alliances would col-

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Inside

✓ Employees and retirees of E.I. du Pont de Nemours & Co. will pay a bigger share of their health care costs beginning next year. **PAGE 6**

✓ Clarifying insurable care is an important step in health reform, this week's editorial says. **PAGE 8**

✓ The Employee Benefits Information Resource describes informational and educational materials for employee benefits managers, insurers and financial executives. **PAGE 10**

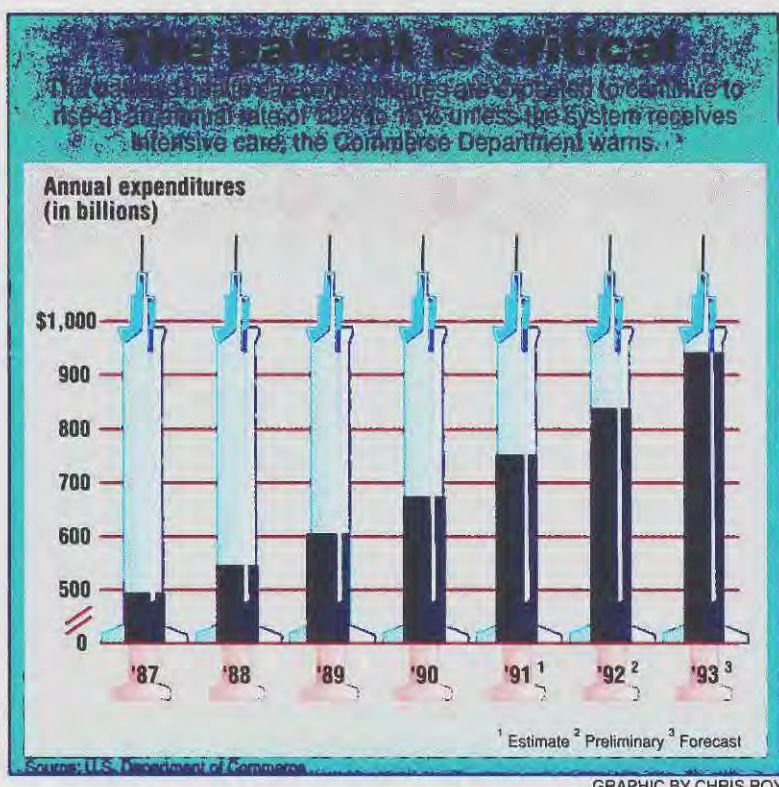
✓ A Swiss Re study discusses the fastest-growing insurance markets in East Asia and Latin America. **PAGE 23**

✓ U.K. property insurers confirm that they will form a government-reinsured mutual insurer to cover terrorism risks in Britain. **PAGE 23**

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'94 health care outlays may hit \$1 trillion: U.S.

By JERRY GEISEL

WASHINGTON—U.S. health care expenditures will likely top \$1 trillion in 1994, a federal agency predicts.

The U.S. Department of Commerce projects that health care spending this year will increase 12.1%, rising to \$939.9 billion from an estimated \$838.5 billion in 1992. National expenditures in 1991 totaled \$751.8 billion.

Unless major changes are made in the health care delivery system, expenditures are likely to climb annually in the 12% to 15% range, the department said last week in its "U.S. Industrial Outlook: 1993."

Even if health care expendi-

tures rise in the low end of the Commerce Department range, costs would easily top the \$1 trillion mark in 1994.

If that happens, national spending next year will be double that of 1987, when expenditures were just under \$500 billion.

Health care costs last year comprised about 14% of the nation's gross domestic product, up from just more than 13% in 1991.

The continuing escalation in health care costs comes as the incoming Clinton administration is drafting legislation to attempt to restrain costs while expanding coverage so that eventually everyone is covered.

During the campaign, Presi-

dent-elect Bill Clinton endorsed the concept of a national target or limit on health care expenditures. He shied away, though, from recommending that government set limits on physician fees or hospital charges.

Mr. Clinton has pledged to present health care reform legislation within 100 days of his Jan. 20 inauguration.

Just as double-digit annual health care cost increases have continued since the late 1980s, the reasons for those increases have not changed.

Factors that have contributed to health care inflation include expanded use of sophisticated and high-priced equipment, in-

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Joining the movement

Benefit managers planning to join reform debate

By JOANNE WOJCIK

LINCOLNSHIRE, Ill.—An overwhelming majority of employee benefit managers plan to get involved in the health care reform debate in 1993, a new survey shows.

And most of them think the federal government, rather than state or local governments, should spearhead the reform

movement, the survey found.

But even though they welcome government intervention, benefit managers still prefer stepped-up use of managed care techniques over government price-fixing as a cost-control measure, finds the survey by Hewitt Associates.

"This is the first time so many benefit managers said they'd get involved in the health care reform debate," observed Kenneth Sperling, a health care consultant in Hewitt's Rowayton, Conn., office.

Of the 802 employee benefit managers that responded to the survey, 89% said they would become involved in the health care

reform debate. Among those planning to become involved, 42% say they will go directly to members of Congress.

"They're telling Congress to get a bigger mailbox," Mr. Sperling quipped. "If there's one thing Congress is short of, it's input. The more voices there are, the better the reforms will be."

Fifty-two percent of the respondents said they would become involved in an employer coalition on health care reform, and 68% would conduct internal education and discussions.

Another significant finding of the survey was the overwhelming

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Fidelity cover denied for losses from unit not listed on policy

By JUDY GREENWALD

NEW YORK—Donaldson, Lufkin & Jenrette will appeal a New York State Supreme Court judge's dismissal of litigation in which the financial services firm is seeking \$30 million in fidelity coverage for futures fraud losses.

The company's fidelity bond insurers sought summary judgment that they did not owe coverage because a DLJ subsidiary that was involved in the claim did not appear on the firm's list of covered entities.

There is no evidence that DLJ made a mistake when it failed to list the subsidiary, Justice Edward J. Greenfield ruled Dec. 18.

In granting the motion for summary judgment, the judge also said the events surrounding the claim did not occur within the coverage period. And there was no timely notice of a claim, he ruled.

The case stems from a fraudulent aluminum futures trading scheme on the London Metal Exchange that occurred in 1982 and 1983, allegedly involving several employees of a London-based DLJ subsidiary, ACLI Metals (London) Ltd. The AML employees allegedly acted in collusion with an employee of an AML customer, Metall & Rhostoff A.G., to defraud both AML and Metall & Rhostoff.

Extensive litigation between AML and Metall & Rhostoff ensued, which eventually led to a 1987 decision against AML.

As a result of the activities of its employees, AML sustained 19.9 million pounds (\$30.1 million) in trading account losses, incurred 4.5 million pounds (\$6.8 million) in court costs and 2.9 million pounds (\$4.4 million) in attorneys' fees, for a total loss of 27.3 million pounds (\$41.3 million), according to DLJ.

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Simpler non-discrimination test

IRS proposes combining unions covered by single 401(k) plan

By JERRY GEISEL

WASHINGTON—The Internal Revenue Service is proposing to ease non-discrimination testing requirements for employers that offer a single 401(k) plan to union employees who are covered by different collective bargaining agreements.

Earlier, the IRS had proposed—effective this year—that if a 401(k) plan covered employees represented by different unions,

the non-discrimination test would have to be run separately on each collectively bargained unit (BI, Aug. 19, 1991).

For example, if a 401(k) plan were offered to employees represented by six different collective bargaining units, an employer would have to run the non-discrimination test six times.

Last week, though, the IRS proposed to give employers the option of combining different collectively bargained units—if

their members are covered by one 401(k) plan—so the non-discrimination test only would have to be run once for union employees.

Alternatively, employers could continue to "disaggregate" collective bargaining units so the non-discrimination test would be run separately for the different collectively bargained units.

The non-discrimination test is run so that employers can deter-

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Loss control pays dividends in Colorado

By SARA MARLEY

DENVER—A Colorado program to cut workers compensation costs will have saved employers more than \$24 million over three years by the end of 1993, project the program's administrators.

The Premium Cost Containment Program already has resulted in a \$10.6 million savings since the first company qualified in January 1991, said John M. Berger, manager of the insurance compliance unit of the Colorado Department of Labor and Employment's Division of Workers Compensation.

The savings take the form of a 5% premium dividend for companies certified by the state after practicing loss control steps for one year. Firms with premiums

of less than \$5,500—the cutoff for experience rating in Colorado—receive a 10% dividend.

Dividends for retrospectively rated employers are determined on the base premium.

Currently 188 employers are certified, Mr. Berger said. He estimates that number will more than double by year end to 428.

Insurers are required to pay the dividends, due at next renewal, to certified companies.

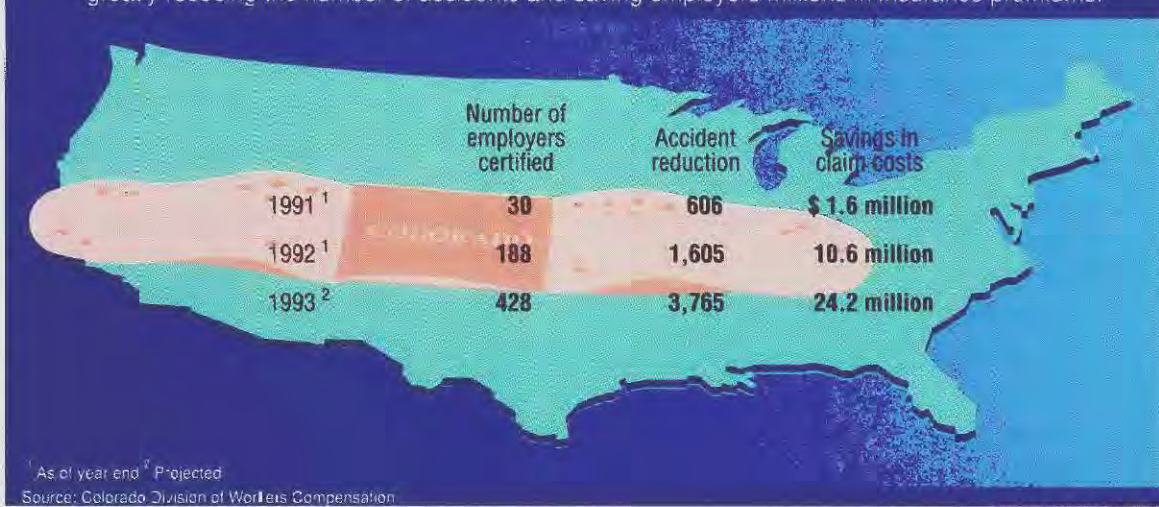
To obtain a certificate, employers must designate a medical provider for injured workers. That designation qualifies them for an additional 2.5% premium dividend. However, companies can receive that discount without being certified.

In addition, certified employers must:

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Rocky mountain low

Colorado's premium rebate program for employers with certified loss control programs is credited with greatly reducing the number of accidents and saving employers millions in insurance premiums.



Shetland oil spill

Continued from page 1

Controversy surrounds the Braer spill, as one tug operator involved in rescue attempts said the disaster could have been avoided if the tanker's crew had remained on board. The British government began an inquiry last week.

The 17-year-old Liberian-registered Braer is managed by Bergvall & Hudner Ship Management of Bermuda and owned by Braer Corp. of Monrovia. Navinvest of Stamford, Conn., is the U.S. agent of B&H.

The tanker was carrying 24.7 million gallons of Norwegian light crude oil from Norway to Canada when its engines failed.

Gales drove the tanker onto rocks at Garths Ness on the southern tip of the Shetlands. As of Friday, a thick brown layer of oil had spread out six miles from the wreck and a thinner layer of oil spread three

miles north toward salmon farms. Not all of the oil has escaped.

The Braer was entered with the Assuranceforeningen Skuld Gjensidig, a Norwegian P&I club in Oslo. The tanker had standard limits of \$500 million in pollution coverage. The Braer also carries an additional \$200 million layer of pollution coverage from a facility placed in the London market.

International conventions limit pollution liability unless it can be proved operator's senior managers were negligent.

Under the Civil Liability Convention, the Braer's pollution liability is limited to about \$8.2 million, said Mans Jacobsson, director of the International Oil Pollution Convention Fund. The only criterion for the CLC to apply is that the damage must occur within the territory of one of the 67 convention signatories. Britain is a signatory.

Cleanup costs above the CLC

limit could be paid by the IOPC fund, which was set up in 1978 under a separate fund convention. The IOPC fund will pay excess of the CLC limit to about \$82.4 million for clean-up. The IOPC fund is financed by transporters of crude oil and heavy fuel oil in the 44 countries that are signatories.

If the pollution costs exceed the limits of both conventions, the remainder is paid by the nation that suffered the damage.

Only two incidents outside the United States have cost more than \$82 million, according to Ian White, managing director of the International Tanker Owners' Pollution Federation Ltd.

The first was the Amoco Cadiz, which spilled 64.7 million gallons of crude oil off the French coast in 1978 and cost \$150 million, he said. The second involved the Tanio, which spilled 4.3 million gallons of heavy fuel oil off the French coast in

1980 and cost \$100 million, he said.

"It's too early to say how much it will cost to clean up the spill. The best thing that is happening at the moment is the natural clean up due to the oil being broken up by the storms that are still continuing in the area," he said Friday.

P&I executives do not expect that the combined recent losses of the Braer and Aegean Sea will put pressure on P&I rates as clubs and owners negotiate terms for Feb. 20 renewals.

"P&I clubs make allocations for heavy claims, so I don't think that these losses will lead to increases in rates," said Michael Thorp, a director of the Skuld P&I club in Oslo.

Rate increases now are averaging about 15%, but those increases are due to increased costs over the past year, not the two recent spills, said Stephen James, a partner at Thomas Miller & Co., which manages The United Kingdom Mutual

Steam Ship Assn. (Bermuda) Ltd.

Even if the CLC convention is breached, any large claims to follow would not affect P&I rates until 1994 renewals, he said.

P&I clubs and shipowners fear that the spills might increase public pressure on Britain to adopt pollution liability laws similar to U.S. laws, which expand shipowners liability in oil spills cases, among other things (BI, Aug. 27, 1990).

"If we had similar pollution laws to the U.S., the P&I clubs would not be able to obtain the kind of reinsurance coverage which they would need," said Phil Mitchell, a partner at Tindall Riley & Co., which manages the Britannia Steamship Insurance Assn. Ltd.

Although reinsurance rates for international P&I clubs are unlikely to change due to the two losses, brokers may find capacity insufficient. In fact, P&I clubs last year had to co-insure part of their reinsurance line slip when 7.5% of program was unplaced.

The reinsurance for the International Group of P&I Clubs is placed by Miller Insurance Group Ltd.

The coverage is led by Lloyd's of London syndicate 79, managed by Janson Green Ltd., which also writes Ultramar's cargo coverage.

Because reinsurers may be more wary of joining the slip, the P&I clubs may have to co-insure a larger proportion of the risk this year.

P&I clubs' retentions already are increasing this year on renewal: Individual P&I clubs will be liable for up to \$3 million in 1993 instead of \$2 million. Claims above this level up to \$25 million will be retained by the International Group of P&I Clubs, up from \$15 million in 1992.

Reinsurance limits remain the same: \$500 million for pollution, \$500 million for other P&I losses, and \$600 million for combined pollution and P&I losses.

The Braer's hull had an insured valued of \$12.7 million. Three-quarters of the coverage was placed in the London market by Lochain Patrick Insurance Brokers Ltd. and the remainder was placed in the United States, led by the American Hull Insurance Syndicate.

In London, 30% of the coverage was placed at Lloyd's, led by syndicates 209 and 206, both managed by Sturge Marine Syndicate Management Ltd. The Institute of London Underwriters wrote 45% of the coverage, led by Royal Insurance (Global) Ltd. and Orion Insurance Co. P.L.C.

Hull coverage for the Braer was to be renewed Jan. 19.

The cargo, valued at about \$11 million, was being delivered to a unit of Tarrytown, N.Y.-based Ultramar Corp. in Quebec. Ultramar's \$55 million in cargo insurance is placed in London by Willis Corroon P.L.C. and is led by Lloyd's syndicate 79.

Controversy still surrounds the grounding of the Braer.

One tug operator claimed that if the crew had remained on board, he could have saved the tanker.

The Greek master of the vessel called his New York office at 5 a.m. on Jan. 5. About 15 minutes later, he called the local port for tug assistance.

A tug operated by Star Offshore Services in Aberdeen arrived at 9:38 a.m., said Barry Cork, managing director of Star Offshore. No one remained on board. If a crew member had been on board to take a line, the tug would have been able to save the tanker, Capt. Cork said.

B&H defended the decision to evacuate. "The safety of the crew must come first. The coast guard is in no doubt that the total evacuation of the ship was absolutely necessary," said Michael S. Hudner, chief executive of B&H. **BI**

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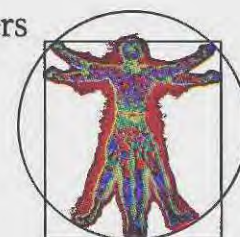
AT WAUSAU, WE EXAMINE THE MEDICAL BILLS JUST AS CLOSELY.

Early applications from our medical claim review staff were able to reduce medical charges by 20%.

Wausau's also working in partnership with customers and their injured employees to use our expanding network of Preferred Provider Organizations (PPOs) to help manage medical costs without sacrificing the quality of medical care for both group health and workers compensation. In these cases, Wausau's PPOs have reduced provider medical charges for workers compensation by 24%. Wausau cost management programs — including loss control and wellness programs, rehabilitation, hospital precertification and others — have helped save our customers millions of dollars.

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Du Pont to increase cost sharing in 1994

By DEBORAH SHALOWITZ

Employees and retirees of E.I. du Pont de Nemours & Co. will pay a bigger share of their health care costs beginning next year.

Employees and retirees also will have access for the first time to preferred provider networks. And wellness and preventive health care programs have been enhanced.

Most of the changes will be subject to negotiation with unions.

In a related move, Wilmington, Del.-based Du Pont said it will restate its results for the first three quarters of 1992 and post a one-time aftertax charge of \$4.8 billion to comply with two accounting standards governing retiree benefits.

Benefit Beat

Financial Accounting Standard 106 requires companies to recognize their accumulated retiree health care liability and account for current retiree health care liabilities as they are accrued, rather than as they are paid. FAS 109 allows companies also to recognize anticipated tax benefits as an offsetting asset.

The Du Pont charge is the second-largest reported so far in connection with FAS 106 behind Ford Motor Co.'s \$7.5 billion charge.

While Du Pont has always been interested in containing health care costs, the accounting rules "cer-

tainly spurred us to look more closely at the whole issue," said Dr. Bruce W. Karrh, vp of integrated health care.

Employees, retirees and dependents of deceased retirees will pay about 20% of the cost of their health care coverage beginning Jan. 1, 1994, up from 11%, Dr. Karrh said.

Du Pont is self-insured and primarily uses two insurers to administer claims—Aetna Life & Casualty Co. and CIGNA Corp. A smaller amount of claims are administered by several Blue Cross & Blue Shield Assn. plans. And, a minority of employees have access to health maintenance organizations.

The health care program changes will affect approximately 145,000

employees, retirees and dependents of deceased retirees of the company's U.S. chemical division.

The majority of these Du Pont employees, retirees and survivors are in a flexible benefits program that offers a choice of four medical coverages. The most popular choice—the higher of two mid-range options—does not require beneficiaries to pay any portion of the premiums. Deductibles are \$200 for individuals and \$400 for families.

Under this option, Du Pont covers 100% of the cost of preventive services, like mammograms and Pap smears; 100% of the cost of outpatient diagnostic services; 100% of the cost of outpatient hospital treatment; 90% of inpatient hospital

charges; and 80% of the cost of physicians' services. Out-of-pocket payments are capped at \$1,000 for individuals and \$2,000 for families.

Dr. Karrh said Du Pont plans to increase beneficiaries' share of health care costs through a combination of adjustments to premiums, deductibles, copayments and stop-loss provisions of the plan, but it has not decided exactly what the changes will be.

Also, beginning Jan. 1, 1997, any health care cost increases will be shared equally between beneficiaries and the company.

In addition to increasing beneficiaries' share of health care costs, Du Pont will try to contain health care costs through managed care.

While PPO participation will be voluntary, there will be incentives to encourage health plan members to use network providers, Dr. Karrh said. Du Pont has not yet contracted with any PPO networks.

Du Pont's health care costs have been rising about 12% annually for the last several years and in 1992 cost about \$500 million. The health care program changes should reduce health care cost increases by about 3% annually, Dr. Karrh said.

As a long-term cost control, Du Pont plans to enhance its wellness and preventive care programs, Dr. Karrh pointed out. For example, the company is considering offering well-baby clinics or children's immunization clinics, he said.

Support for family leave

Seventy-seven percent of Americans surveyed recently said employers should be required to provide an unpaid leave of absence to employees with guaranteed re-employment upon the birth or adoption of a child.

For the last two years, support has remained virtually unchanged for mandated family leave: 76% of those surveyed in 1991 and 77% of those surveyed in 1990 said they supported mandated leaves of absence.

President Bush twice vetoed family leave legislation that would have required employers with more than 50 employees to provide up to 12 weeks of unpaid leave to care for a newborn child or to handle family medical emergencies. However, President-elect Clinton has said he would sign such legislation into law if the new Congress passes a family leave bill.

Also, 66% of survey respondents said employers should help employees with child care expenses.

The survey of 1,000 people was released last week by the Employee Benefit Research Institute in Washington, and The Gallup Organization Inc.

Some 60% of those surveyed said the federal government should play a role in providing child care assistance for families.

Addressing other issues, the survey found that 26% of respondents said the most important issue facing the United States today is the federal deficit. Seventeen percent of respondents said health care costs are the most important issue, while 15% said the issue is people lacking health insurance.

The survey, "Public Attitudes on Child Care and Family Leave, 1992," is available from Kim Thorpe, Employee Benefit Research Institute, 2121 K St. N.W., Suite 600, Washington D.C. 20037-1896; 202-775-6315. A summary of the report is \$25 for EBRI members and \$75 for non-members; the full report is \$75 for EBRI members and \$275 for non-members. **BI**



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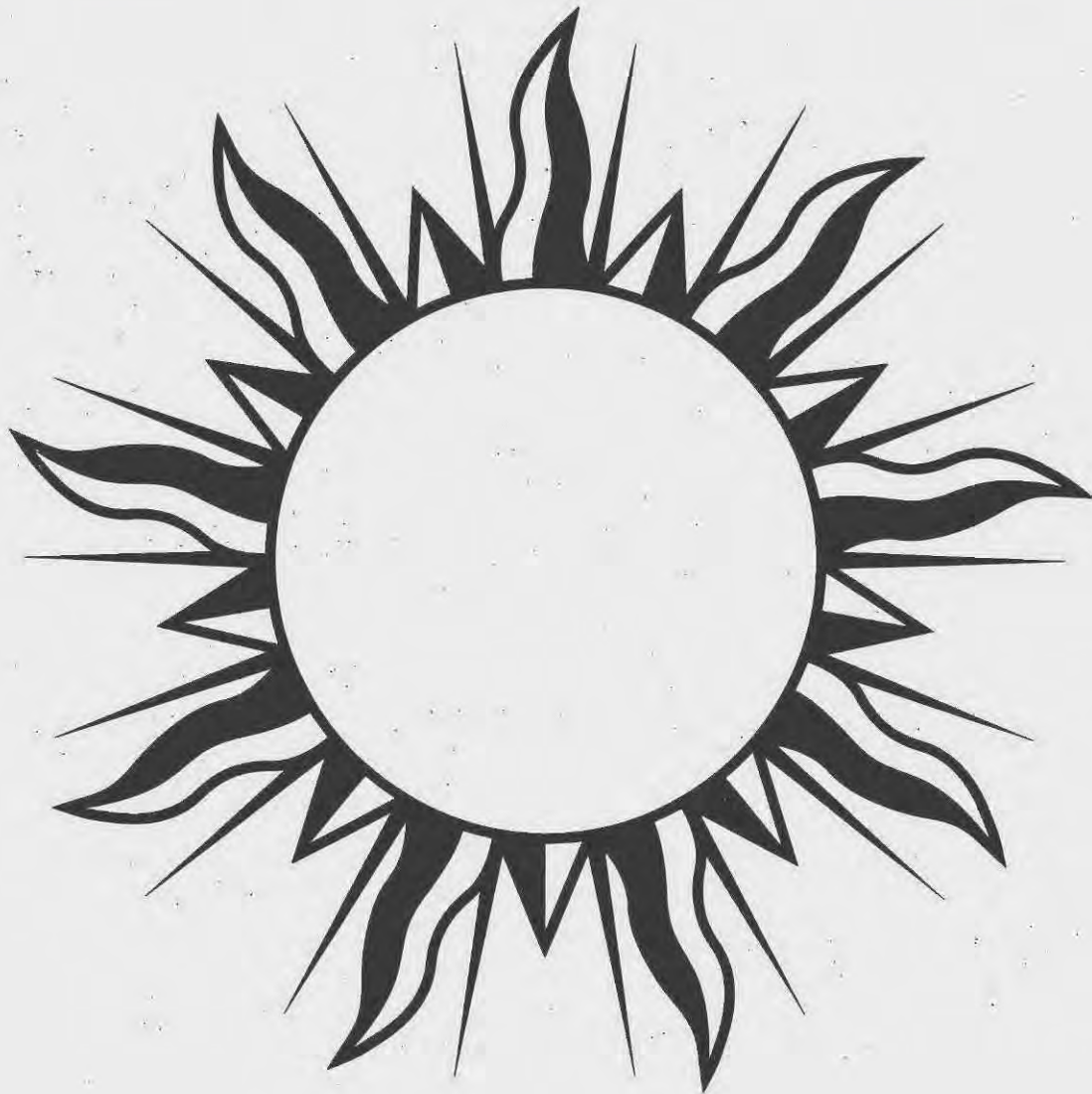
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Opinions

Clarify insurable care

HERE'S YET ANOTHER reason why curing the nation's health care ills won't be easy: Someone has to pay for the cost of experimental medical procedures.

Insurers for years have said they should not foot the bill. From a pure business point of view, it's hard to disagree. With health care costs rising through the roof, it's difficult to maintain that insurers should pay hundreds of thousands of dollars for a medical procedure—that might not work.

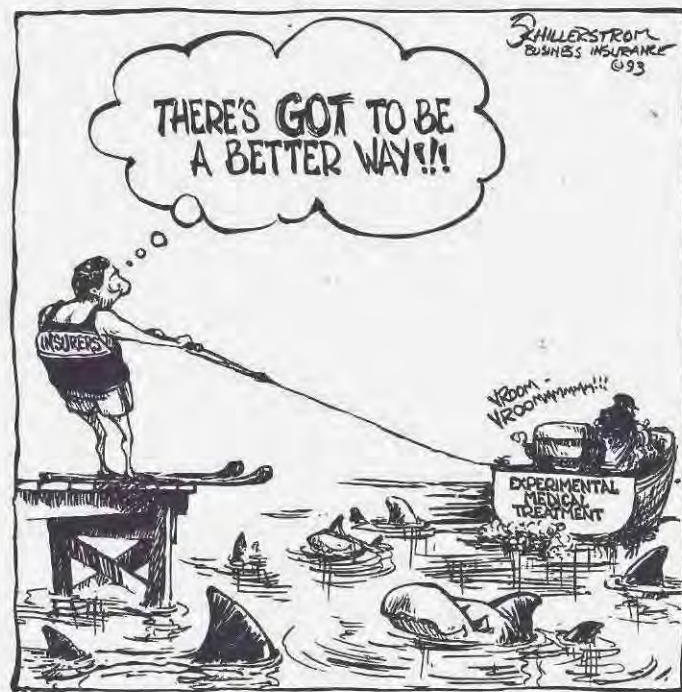
However, a cancer patient and his or her family look at the problem much differently. Why should an individual be deprived of a chance for a longer and healthy life because of the fine print in an insurance policy?

A federal judge was caught up in this dilemma last fall when he ruled that an insurer does not have to cover the cost of a procedure that could potentially cure a woman suffering from advanced breast cancer while the case is litigated. While rendering a decision that he thought proper under the law, the judge said he would not be disappointed if his ruling was reversed on appeal (*BI*, Jan. 4).

Courts have split on whether insurers have been correct in classifying certain procedures as "experimental" and thus excluded from coverage. That's not surprising. It's impossible for judges and lawyers to agree on medical questions on which doctors still differ.

Should this dilemma be ranked among those that can never be solved? Definitely not. That's the basic problem with health care reform: The nation is delaying action because too many people think the problem is too big to eliminate.

A couple of steps can be taken now to help clarify what procedures are covered before a larger



solution to the problem is found:

- Insurers and the medical community should agree on some "official" organization—whether government or private—to be responsible for deciding whether a specific procedure is experimental.
- Health care plans should explain in plain language exactly what is meant by "experimental" to give more guidance to patients.
- Employers should increasingly adopt case management programs. If insurers or managed care vendors become involved in charting the treatment for a seriously ill person, disputes among doctors, insurers and patients should become less common.

Letters

Former member protests APPWP's position

To the editor: After reading "Employer Group Backs a Mandate to Proffer Benefits" (*BI*, Dec. 21, 1992), I almost wish I still was a member of the Assn. of Private Pension & Welfare Plans so I could resign in protest over what I believe to be a position completely contrary to the best interests of its employer members.

Why would a group like the APPWP be trying to preserve an employer-based system when it has become obvious that, of all those that have a stake in removing themselves from any involvement in health care, it is surely employers that should get out?

For decades, employers have borne a disproportionate share of the increasing costs of the most expensive health care system in the world. And well they should because it has largely been employers' almost studied ineptitude that has brought us to where we are today. Compared with many other countries, we are losing ground in per-capita quality and quantity of health care while we increase our lead in spending.

The readiness of employers to maintain legions of expensive workers compensation medical and group health care benefits administrators and consultants who use micro-methods to

blindly shovel money into a macro-system about which they have little real knowledge and over which they have no control is as incredible as it is tragic. Sadly, they have helped create and nurture a community of avaricious providers and cost-shifters who just cannot resist going after all that "reasonable and customary" money.

The ways in which they go about it rivals any tales that one might drum up about government bureaucracy and inefficiency. Ironically, even the government has discovered how easy it is to shift costs to employers.

Stop use of defined benefit plans

To the editor: I read the article, "TWA Accord Fair: PBGC," in the Dec. 21, 1992, issue. As a former chairman of the Pension Benefit Guaranty Corp.'s advisory committee, I am sure that Jim Lockhart, an able and brilliant PBGC director, did the best he could considering TWA's weak financial condition. If the agency is fortunate enough to collect the settlement, a half-billion-dollar loss to the PBGC will still result.

Since the PBGC has no underwriting authority, losses will continue. The best answer to the PBGC's problems is to make defined benefit plans illegal. Congress must act. While the full faith and credit of the U.S. government is not guaranteeing the deficit exceeding \$2 billion, Congress could well appropriate these funds when needed.

There are several alternative methods to fund pensions, and I suggest they should be used because:

- If a corporation is serious about

Obviously, most employers have not yet caught on to the fact that by allowing themselves to be the principal patsy in the system, they are not so much a victim of the problem as they are the cause of it. Apparently, it is too much to hope that the APPWP would help figure it out. Perhaps it is afraid that pensions, disability and life insurance benefits won't be enough to keep the group busy. It should know better.

W.T. Howard
Director of Risk Management
Arch Mineral Corp.
St. Louis

providing pension benefits, it should fully fund them with current funds.

- The American people should not be subject to deficits caused by corporations that do not properly fund their pension promises.

- The underfunding in the defined benefit pension universe is massive.

- PBGC executive directors change frequently with the change in administrations, making continuity impossible.

- The system is complicated. It would take months of study for legislators to understand the system that they created.

- Since its inception in 1974, the PBGC has never had an unqualified opinion on its financial statements by the General Accounting Office.

Someone in Congress must have the courage to put an end to defined benefit pensions. They are out of control.

Murray P. Hayutin
Littleton, Colo.

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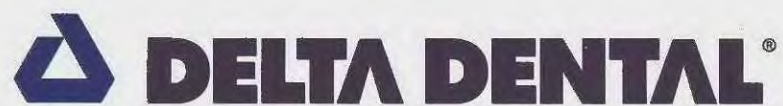
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■ A brochure supplied by SLI-Select Software lists the advantages of **providing Section 125 plan services to clients** and describes a turnkey approach for administering Section 126 plans in conjunction with supplemental insurance product sales. Request item 103.

■ A system for generating **retirement plan proposals and feasibility studies to help sell pension plans** and their assets is described in an information packet from Pentabs, a division of Corbel & Co. The system determines benefit or allocation formulas and ranks plans according to how well they meet a client's objectives. Request item 104.

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■ A brochure from Continental Software Inc. details **tracking and marketing software for group life, health and disability insurance professionals**. The program provides access to group policy data and information on individual members of each group. Selective word processing and query and management reports are included. Request item 203.

■ A Medirisk Inc. booklet defines software and other resources available to more accurately **monitor physician fees and medical expense trends**. Request item 204.

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prospects is explained in this publication. Request item 205.

■ Biven Software Inc. offers an article outlining how **traditional health care information systems contribute to the rising cost of health care**. Request item 207.

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■ Group Marketing System is a **group life, health and disability insurance rating, tracking and proposal printing system** detailed in a brochure from Continental Software Inc. Request item 214.

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■ A 1992 series of articles provided by Marion Merrell Dow Inc. **analyzes financial and enrollment characteristics of the managed care industry**. The series includes the PPO Edition, the HMO Edition, the Updated Edition and the Long-Term Care Edition. Request item 502.

■ A free sample copy of "Benefits Magazine" offers **employee benefits information to interested individuals**. The magazine is a bi-monthly publication of Applied Benefits Research Inc. Request item 504.

■ A practical information sheet for employees on **dos and don'ts about alcohol and drug addiction** is available from High Point Treatment Center. Request item 505.

■ Data published by PROTOCARE Inc. discusses **home care as a less-costly alternative to hospitalization**. Request item 506.

■ A report on **trends in plan cost, design, funding and administration** is furnished by Johnson & Higgins. This information was gathered from a survey of more than 1,100 employers with fewer

than 1,000 employees. Request item 507.

■ Wausau Insurance Cos. offers information on how to identify **questions to ask a health insurer about managed care plans**. Request item 508.

■ "Estate Planning Strategies for the 1990s" is a 20-page booklet that helps employees **prepare a blueprint for an estate plan**. The Practice Development Institute booklet offers suggestions on dealing with taxes on life insurance. Request item 509.

■ An item from TALX Corp. offers advice on the practical uses of **telephone systems for flexible benefit plan enrollment**. Request item 510.

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ing the **signs, symptoms and other important facts about addiction**. Request item 511.

■ **Employer-sponsored long-term care coverage** is discussed in a 13-page publication from William M. Mercer Inc. It covers plan design, coordination with other benefits and effective employee communications. Request item 512.

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■ A brochure and disk demonstrates the "Plan Expert," an automation system from Information Learning Systems that provides **answers to common questions employees ask about their benefits**. Request item 519.

■ Alexander Consulting Group Inc. provides a tri-weekly newsletter with overviews of topics like **employee compensation, qualified plans, welfare plans and personnel practices**. Request item 520.

■ A product information kit and demonstration disk on how to **automate administration and record keeping tasks for benefit plans** is supplied by Pentabs. Request item 521.

Continued on next page

How to obtain informational materials

The Employee Benefits Information Resource section is an editorial compilation of current informational and educational materials on topics of interest to employee benefit, financial and insurance executives.

The listings are published as an editorial service by *Business Insurance*; there is no charge to list material in the section.

The materials, all of which are offered free of charge to *Business Insurance* readers, are organized under these headings: automated systems and software for agents and brokers; automated systems and software for insurers; employee benefits; employee benefit management information systems; financial services; international; self-insurance services.

Risk Management Information Resource listings will appear in the Jan. 18 issue of *Business Insurance*.

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Continued from previous page

■ How companies can comply with the regulations mandated by the **Americans with Disabilities Act** is discussed in a pamphlet produced by Kemper National Insurance Cos. Request item 522.

■ CIGNA Special Benefit Cos. offers a brochure explaining how medical and personal emergency assistance services and insurance can help employers and employees **manage the risks created by overseas travel**. Request item 523.

■ The fall issue of "Pension-Maker Edge," published by EBG & Associates Inc., features a discussion on **401(a)(4) testing and good faith compliance**. Request item 524.

■ An article from Crawford &

Co. discusses **computerized tomography scanners**, comparing CT scanners to magnetic resonance imaging systems and evaluating their impact on health care costs. Request item 525.

■ Alexander Consulting Group Inc.'s "ACG Update" provides in-depth analysis of benefit topics like **defined benefit plan reform or COBRA continuation rights**. It is published whenever an important issue requires in-depth review. Request item 526.

■ A report on the **health care industry's economic outlook** is furnished by Medstat Systems Inc. Topics include hospital charge index growth and the top 25 diagnosis-related groups. Request item 527.

■ The NIA Group provides a review of the **problems of containing costs in the health care industry** and ideas for reducing insurance, service and corporate benefit costs. Request item 528.

■ Forum, a quarterly magazine produced by Intracorp, provides benefit and claims professionals with a discussion of some of the **major issues and trends impacting the health care management industry**. Request item 529.

■ A list of **12-step and support organizations in Massachusetts** for alcohol and substance abusers, friends and family is offered by High Point Treatment Center. Request item 530.

■ W.F. Corroon presents some of the **key effects low interest rates are having on retirement plans**, particularly defined benefit plans, in a five-page brochure. Request item 531.

■ A booklet from CIGNA Special Benefit Cos. discusses the **need for accidental death and dismemberment insurance**. A product reference sheet summarizes coverage and the features of accident insurance products. Request item 532.

Some straight talk about group health funding alternatives.



LIBERTY MUTUAL

■ Liberty Mutual Insurance Co. provides a publication developed to help **select between the most common group health plans**—conventional, minimum premium and administrative services only. Request item 533.

■ The evolving area of **flexible benefit plans** is discussed in a special report from the Alexander Consulting Group Inc. The report discusses the legislative outlook for flex plans, as well as new design options. Request item 534.

■ An information sheet discusses
Continued on page 14

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Continued from page 12
sing the benefits of the **human resource management approach to controlling employee benefits costs**, including a five-step outline of the planning process, is offered by The NIA Group. Request item 535.

■ Crawford & Co. presents an article examining **magnetic resonance imaging management**, efficiency, quality and impact on health care costs. Request item 536.

■ "The Clinton Era," a booklet based on a speech by Towers Perrin executive Alan Dugan, examines the prospects for **health care reform during the**

Clinton administration and the impact of these reforms on corporate America. Request item 537.

■ EBG & Associates Inc. furnishes the spring 1992 issue of "PensionMaker Edge," featuring an **overview of the final 401(a)(4) regulations** and their impact on age-weighted profit sharing plans. Request item 538.

■ A **glossary of flex terms** with the practical needs of the non-technician in mind is provided by Alexander Consulting Group Inc. Request item 539.

■ A publication from W.F. Corroon offers employers practical

advice for dealing with the human resources and employee benefit issues raised by the **Americans with Disabilities Act**. Request item 540.

■ A booklet from a Kwasha Lipton seminar discusses the **responsibilities of plan administrators**. Request item 541.

■ "Corporate Health Care Action Plan," a booklet from Robert L. Brown & Associates, gives advice on how companies can **contain and control health care costs** through maternity high risk programs, health promotion programs and managed workers compensation programs. Request item 542.



■ A Towers Perrin brochure discusses **benefit statements and how they can be used more effectively**. Request item 543.

■ William M. Mercer Inc. details the pension provisions of the **Unemployment Compensation Amendments Act of 1992**. The 17-page booklet discusses direct rollovers from qualified plans, with an emphasis on administration and communication. Request item 544.

■ "Employer's Guide to Managed Care" from Marion Merrell Dow Inc. provides employee benefit managers with **sources for managed care products and services**. Request item 545.

■ Managing the changes in the **employee benefits environment** is the topic of a Kwasha Lipton pamphlet. Request item 546.

■ A catalog from the Interna-

tional Foundation of Employee Benefit Plans contains **information and forms for enrolling in the Certified Employee Benefit Specialist program**, a 10-course program in employee benefits. Request item 547.

■ Guidelines for auditing compliance with the **continuation of group health care coverage requirements under COBRA** are provided in this special report from the Alexander Consulting Group Inc. Request item 548.

■ A brochure offered by W.F. Corroon provides an explanation of the final regulations issued by the Department of Labor on **participant-directed investments under ERISA Section 404(c)**. It also explores plan redesign and disclosure requirements. Request item 549.

■ An overview of Crawford & Co.'s **long-term care services**, which identifies and coordinates appropriate care for elderly, chronically ill or disabled individuals, is presented in a four-page booklet. Request item 550.

■ Child Care Insights Inc. offers a publication describing programs and services that are available to **assist employers and employee assistance program providers with employee child and elder care needs**. Request item 551.

■ A flyer on **managed vision care services**, which can be set up on a fully insured or self-funded basis, is available from
Continued on next page

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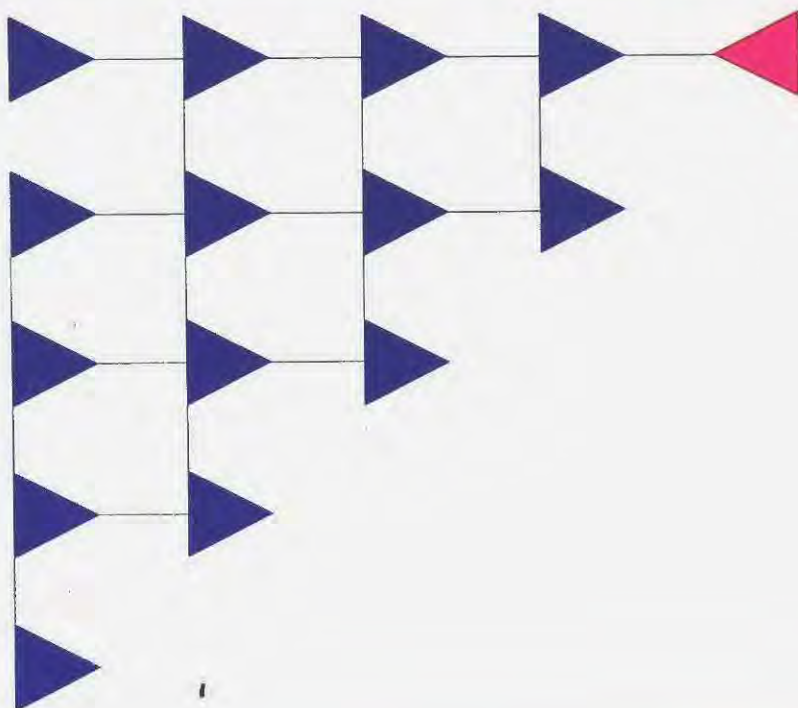
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Continued from previous page
Spectrum Benefits Management Corp. Request item 552.

■ An overview of the proposed **managed competition policy**—and suggestions for shaping the policy to make maximum use of employers in purchasing health care wisely and economically—is offered by Health Economics and Market Analysis. Request item 553.

■ Marion Merrell Dow Inc. reports findings of a nationwide survey of Fortune 2,000 companies. Quantitative and qualitative information is given about **employer involvement in benefit programs, future intentions and attitudes about the effectiveness of health benefit programs**. Request item 554.

■ A "COBRA Checkup Kit" is provided by Applied Benefits Research Inc. in order to help **evaluate COBRA operations**, spot compliance problems and potential liabilities and uncover savings opportunities. Request item 555.

■ How employers should address real-life situations in complying with the **Americans with Disabilities Act** and suggestions for integrating the new law into organizational procedures is discussed in a publication from William M. Mercer Inc. Request item 556.

■ An informational flyer is offered from High Point Treatment Center to increase the small business owner's knowledge of **alcohol and drug abuse in the workplace**. Request item 557.

■ "High Risk Pregnancy," a booklet supplied by Action Healthcare Management Services Inc., offers statistical **information on at-risk pregnancies** and provides suggestions to help avoid the "million-dollar" baby. Request item 558.

■ Kwasha Lipton offers a brochure with insights into **managing shifting perspectives and changes in today's employee benefits environment**. Request item 559.

■ A pharmaceutical magazine from Marion Merrell Dow Inc. is designed to assist in **making buying decisions and forming opinions about prescription drugs** in the context of a managed health care plan. Request item 560.

■ A paper from The Alexander Consulting Group Inc. explores **health care issues confronting the United States** today and presents a leadership position on health care thinking for the future. Request item 561.

■ The NIA Group offers a simple one-page flow chart outlining **the steps in an employee benefits management program** designed to reduce and control costs while maintaining or enhancing existing plans. Request item 562.

■ Crawford & Co. offers a quarterly brochure examining the problems of **health costs and related issues**. Request item 564.

■ The **International Foundation of Employee Benefit Plans'** summer internship program is described in a brochure. This program offers college

students an opportunity to gain valuable employee benefits experience and provide employers with qualified help. Request item 565.

■ "Guide to Better Hearing," a brochure from Beltone Electronics Corp., provides information on **hearing loss, hearing aids and why it's important to have regular checkups**. Request item 566.

■ Central Reserve Life offers a pamphlet with insight into why the U.S. demand for convenience, speed and high-tech

medical care is contributing to the **soaring costs of health care** and straining the country's pocketbook. Request item 567.

■ "Partners," a quarterly newsletter from La Petite Academy Inc., focuses on **child care**, including new laws and regulations, creative developments and workable solutions. Request item 568.

■ A publication produced by Kaset International outlines the **elements required for service organizations to make the 90s transition**. Topics include why



FIRST STEPS
HELPING NEW PARENTS TAKE THEIR FIRST STEPS

customer satisfaction is no longer enough and the value of exceeding customer expectations. Request item 569.

■ Healthdyne Perinatal Services offers an informational booklet on the value of **adding an obstetrical case management program to a health benefits plan**. Healthdyne's "First Steps" health care program is also discussed. Request item 570.

■ Different assumptions that comprise the valuation of **post employment welfare benefits**
Continued on next page

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Continued from previous page
and how they impact FAS 106
expenses are explained in an
article from Brooke & Co. Re-
quest item 571.

■ A 120-page guide that pro-
vides a step-by-step approach to
implementing FAS 106 is pro-
duced by Coopers & Lybrand.
The guide includes plan design
changes, financing and funding
options and the income tax effect
of adopting the new rule. Re-
quest item 572.

■ ACP Inc. offers a month-by-
month calendar that provides
useful **financial planning in-
formation for retirees and
their spouses**. Request item
573.

■ La Petite Academy Inc. offers
an information packet contain-
ing facts and information con-

cerning **child care and com-
panies that take the initiative
to create work/family solu-
tions**. Request item 574.

■ A brochure from Booke & Co.
discusses the effects of **changing
patterns of employment on re-
irement income security** of
future retirees. Request item 575.

■ Kwasha Lipton offers reprints
of a presentation delivered at a
recent conference on **new di-
rections and innovations
being considered for cash bal-
ance plans**. Request item 576.

■ The National Assn. of Prepaid
Dental Plans provides an **alpha-
betical listing of dental HMOs
operating in 46 states**, with
specific information on a sales
contacts, years in operation, ser-
vice areas and licensing au-
thority. Request item 577.

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April 30, 1992 \$75,000,000 Cincinnati Financial Corporation 5½% Convertible Senior Debentures due 2002	June 9, 1992 15,000,000 Depositary Shares TheTravelers The Travelers Corporation Each representing a one-half interest in a share of 9¼% Series B Preference Stock	June 15, 1992 6,700,000 Shares MGIC Investment Corporation Common Stock (par value \$1.00 per share) Price \$34.25 Per Share	June 22, 1992 5,000,000 Shares BROAD INC. 9¼% Preferred Stock, Series B (Cumulative; Liquidation Preference \$25.00 Per Share)
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■ A pamphlet supplied by Hu-
mana Health Care Plans ad-
dresses the employer's dilemma
of rising health care costs
through managed care and
cost containment approaches.
Request item 578.

■ StayWell Health Management
Systems Inc. offers two infor-
mation sheets on programs that
allow companies to **obtain base-
line information on health
risks, provide personalized
recommendations for change
and track employee progress**.
Request item 579.

■ A report from Alexander Con-
sulting Group Inc. reviews **Medi-
care's physician payment re-
form and its impact on
medical care providers**. The
report includes a survey of
major insurers asked to examine
the cost shifting effects that
Medicare's physician fee sched-
ule could have on employer
group health plans. Request item
580.

■ Kwasha Lipton offers a publi-
cation from its seminar on **post-
retirement medical plan de-
sign and funding**. Request item
581.

■ The final **401(k) regulations
and other non-discrimination
rules** are detailed in a publica-
tion from William M. Mercer Inc.
Request item 583.

■ An information packet with
results of a recent analysis of
ADMAR Corp.'s HealthWatch
Hospital **inpatient utilization
review management program**
is provided by Milliman & Ro-
Continued on next page

Continued from previous page
bertson Inc. Request item 584.

■ A brochure offered by Booke & Co. addresses **FAS 106 implications in the design features of health care plans for retirees**. Request item 585.

■ Hay/Huggins Co. Inc. presents a publication describing a program for **introducing and reinforcing health-improving behavior for employees**. Request item 586.

■ An information packet detailing an **employee communications program** geared to increase awareness of employer-sponsored benefits is offered by the National Assn. of Employee Benefit Administrators. Request item 587.

■ A description of various **dental plans** is produced by HealthStream Corp., including information on invoicing, claims adjudication and marketing. Request item 589.

■ A publication from Action Healthcare Management Services explains **employee benefit services** it offers. Request item 590.

■ A fact sheet from The HMO Group lists information on its efforts to strengthen **group practice HMO quality and performance**. Request item 591.

■ Midwest Vision Service Plan offers a 14-page booklet with an overview of **prepaid vision care benefits**. Request item 592.



■ A brochure from American Claims Evaluation Inc. describes how **hospital bill reviews could offer an economical antidote to rising health care costs**. Request item 593.

■ A guide for benefit managers showing how **surveillance may separate truly disabled employees from malingerers** is produced by InPhoto Surveillance. Request item 594.

■ A booklet describing how **Social Security benefits work**, including Medicare and old-age, survivors and disability insurance, is supplied by Hay/Huggins Co. Inc. Request item 595.

■ A National Assn. of Employee Benefit Administrators program offers self-funded organizations a range of products including **local administration and competitive access to PPO networks** in 90 major U.S. markets. For a brochure, request item 596.

■ A pamphlet from the International Foundation of Employee Benefits Plans lists **more than 350 journals in the foundation's Employee Benefits Info-source data base** and explains

how to access the data base. Request item 597.

■ ACP Inc. provides a senior health calendar with **health tips written exclusively for retirees and their spouses**. Request item 598.

■ A newsletter from Kwasha Lipton informs employers and plan sponsors about a Labor Department **trend toward more stringent enforcement of plan fiduciaries' duties mandated by ERISA**. Request item 599.

■ Information and forms neces-

sary to enroll in the **10-course Certified Employee Benefit Specialist program** are included in an information packet supplied by the International Foundation of Employee Benefit Plans. Request item 5500.

■ A 16-page **glossary of managed drug benefit terms** is available from Clinical Pharmacy Advantage. Request item 5501.

■ A brochure from Hay/Huggins Co. Inc. explains a program designed to **optimize the balance between benefits and cash in**

the **total remuneration mix** for an organization. Request item 5502.

■ A study from The Alexander Consulting Group Inc. **reveals new trends in savings and spending patterns** and the need for workers to save more to maintain their standard of living after retirement. Request item 5503.

■ ACP Inc. provides a "slide-guide" booklet that **explains Medicare benefits to older adults and their families**. Request item 5504.

■ An overview of Crawford & Co.'s medical case management services to **control health benefit costs without sacrificing the quality of care** is described in an eight-page brochure. Request item 5505.

■ Kwasha Lipton offers a publication used in its seminar on **structuring asset allocation and ways to manage pension costs**. Request item 5506.

■ "For Your Benefit," a brochure from Buck Consultants Inc., describes methods and

Continued on page 20

EMPLOYEE BENEFITS BULLETIN: DISABILITY MANAGEMENT SERVICES FROM CNA

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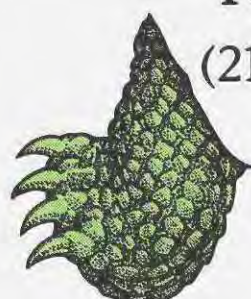
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White-collar crime woes

How to prevent prosecution for executive crimes

"The White-Collar Crime Explosion: How to Protect Yourself & Your Company from Prosecution"

By Roger J. Magnuson
Published by McGraw-Hill Inc., 1221 Ave. of the Americas, New York, N.Y. 10020;
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By Kevin M. Quinley

LEONA HELMSLEY. Charles Keating. Michael Milken. The demise of these once-prominent "Masters of Their Own Universes" symbolizes a rising new form of business regulation sweeping the country: white-collar crime prosecution.

All of these people—and their respective organizations—needed not only a good lawyer, but also a good risk manager. In fact, if they had conferred more with the latter they might not have needed the former. Welcome to the darker side of risk management.

In its broadest sense, the discipline of risk management should address both criminal and civil contingencies. In many cases, problems in one area spawn headaches in the other. Incidents such as the fatal fire at the chicken plant in Hamlet, N.C., or the Exxon Valdez oil spill can spawn criminal

Books & Ideas

charges as well as civil liability.

Risk managers are taught that compliance with the law is a necessary but not sufficient condition for escaping civil liabilities. Failure to comply with the law can sink many an otherwise defensible civil case and pose more ominous prospects of fines and prison terms.

While we are tempted to say the solution is simply to have better ethics, that is too pat an answer. Author Roger Magnuson, an attorney with Minneapolis law firm Dorsey & Whitney, argues that the problem is not limited to bad-guy crooks, but includes business professionals navigating through a complex sea of esoteric rules and regulations.

Too often, Mr. Magnuson suggests, violations concern obscure provisions buried within the statutes of the IRS, FDA, EPA, SEC or similar alphabet agencies.

And, convictions are not limited to well-known criminals. Even the well-intentioned business executive can be the prime target for zealous criminal prosecution. Witness California's interest in filing criminal charges against Dow Corning Corp. for problems with its breast implants.

At minimum, risk managers should see that their organizations practice preventive law and periodically audit themselves for legal compliance.

The specter of business people as criminal defendants is no longer unusual. Mr. Magnuson explains how to identify and respond to existing or potential problems before they require government intervention.

Mr. Magnuson's book also provides risk managers

with information about:

- Reasons for the rise in business crime prosecutions.
- Current hot areas for prosecution.
- Legal pitfalls that can easily ensnare companies.
- How to plan an overall defense strategy to avoid—or counter—charges.
- What to do when and if a subpoena or search warrant is served.
- What to say—and what not to say—to the press.

Mr. Magnuson also offers examples of criminal investigations and actual prosecutions to demonstrate how any size company can avoid crossing the line in gray areas of corporate law.

Of special interest are the case histories of companies and business people who faced criminal prosecution for business activities and fought back effectively.

"The White-Collar Crime Explosion" is must-reading for any risk manager. Upon finishing it, the risk manager should make the corporate attorney read it cover to cover. While no substitute for sound legal advice, it should raise the consciousness of all risk professionals in viewing white-collar crime as one more peril to manage, and avoid. **BI**



Kevin M. Quinley is vp of risk services for MEDMARC Insurance Co. Inc. and subsidiary Hamilton Resources Corp., both of Fairfax, Va. Mr. Quinley holds the Chartered Property & Casualty Underwriter and Associate in Risk Management designations.

CGL policy covers contractor's mistake

A contractor's negligent placement and construction of a golf course project partly on federally protected wetlands did not fall within the business risk exclusion of a comprehensive general liability insurance policy, according to the Court of Appeals of Georgia.

Donmac Golf Shaping Co. completed construction of a golf course project for a developer. After completion, the federal government informed the developer that some areas of the project were built on wetlands without necessary permits. The United States sued the developer for violation of various federal statutes. The developer, in turn, sued Donmac and others. Donmac was covered under a CGL policy containing a "business risk" exclusionary clause. Donmac brought this action seeking a declaration that the insurer had a duty to defend and indemnify Donmac. The trial court ruled for Donmac.

On appeal, the insurer argued that the policy excluded coverage for a business risk and that Donmac's negligence fell within this exclusion. However, the appellate court pointed out that the business risk exclusion was designed to exclude coverage for defective workmanship by the policyholder causing damage to the project itself. The court said that the developer sued Donmac for negligently building part of the project on protected wetlands, not for

Legal Briefs

failure to construct the project in a workmanlike manner.

Glen Falls Insurance Co. vs. Donmac Golf Shaping, Court of Appeals of Georgia, March 12, 1992, *Reconsideration denied* March 24, 1992 (BI/01/F.-\$10).

Mistaken plan contributions

The Employee Retirement Income Security Act pre-empts any state law rights of an employer to recover mistaken contributions to an ERISA plan, according to the 5th U.S. Circuit Court of Appeals.

The Houston Carpenters Pension Plan and the Houston Carpenters Health & Welfare Trust managed multiemployer trust funds. Jamail Inc., a general contractor, entered into collective bargaining agreements with the trust funds agreeing to make contributions to the funds on behalf of its employees. The trust funds adopted a policy regarding the refund on contributions mistakenly made by employers limiting such refunds to only those mistakenly paid in the six-month period prior to the date the trust fund trustees were notified of the claim. An audit commenced in October 1986 revealed that Jamail made excessive contributions in the amount of \$51,434. Jamail was notified of the overpayment by letter dated June 8, 1987, but did not request a refund

until Nov. 10, 1987. The trust fund, pursuant to its policy, offered to refund only \$1,146, representing the overpayment for the last six months of 1986. Jamail sued for restitution. The trial court ruled for Jamail but deducted 20% of the judgment for an administrative fee for the trust funds.

The appellate court said Jamail could not bring a state law claim or a private cause of action under ERISA but did have a federal common-law right of action for restitution. The court agreed with the trial court, but it did not allow any deduction for overhead.

Jamail Inc. vs. Carpenters Dist. Council, U.S. Court of Appeals for the Fifth Circuit, Feb. 27, 1992 (BI/02/F.-\$10).

Calculating employment time

An employer's policy to include accrued vacation time in calculating the time served on the job enabled an employee to sue the employer for alleged wrongful denial of extended health care benefits under an Employee Retirement Income Security Act qualified plan, according to the 5th U.S. Circuit Court of Appeals.

David W. Williams worked for a company from April 25, 1983, to March 31, 1986, when he was seriously injured in a car accident. He returned to work after treatment, but his condition worsened and in early 1988 he was advised that he required

additional surgery. The surgery further disabled him, and he never returned to work. He sought entitlement to extended benefits until age 65 under the employer's comprehensive medical plan based on five years of service. However, the employer notified Mr. Williams that he was just under two weeks short of having five years of service, and he was thus limited to coverage for only two years from the date of last employment. Mr. Williams sued, seeking a declaration that he was entitled to the extended benefits because he had three weeks of accrued vacation that gave him more than five years of service. The trial court ruled against Mr. Williams.

The appellate court said there was an issue of material fact as to whether the employer's policy on calculating employment time included accrued vacation time. The trial court decision was reversed and the case was returned to the trial court. *Williams vs. Bridgestone/Firestone Inc.* U.S. Court of Appeals for the Fifth Circuit, March 2, 1992 (BI/04/J.-\$10).

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

Continued from page 17

media used to tout **employer-provided financial planning**. Request item 5507.

■ A Liberty Mutual Insurance Co. brochure describes the need for the **planning and integration of several managed care services** in order to form a successful preferred provider network. Request item 5509.

■ The International Foundation of Employee Benefit Plans provides a **catalog listing and description of employee benefit books, research reports and reference materials** published by the foundation. Request item 5510.

■ A paper from the Alexander Consulting Group Inc. explores the **new roles managers and executives in modern corporations are being called upon to assume**. Request item 5511.

■ The DRG guide, provided by Medstat Systems Inc., presents **inpatient health care cost and utilization statistics by major diagnostic category and diagnostic related group**. Statistics include admission rate per thousand lives, average length of stay and cost per case. Request item 5512.

■ Progressive Health Management Inc. offers a group of brochures that provide an overview of its **precertification, bill audit and case management services**. The system combines preventive and wellness programs. Request item 5513.

■ The impact of **FAS 112 on employers' post-employment benefit liabilities** is presented by Towers Perrin in the results of a survey of 135 employers. Request item 5514.

■ The published results of a Towers Perrin survey of 183 equity analysts, portfolio managers and research directors at leading brokerage houses and money management firms suggests that **FAS 106 will have widely varying effects** on companies. Request item 5516.

■ **Educational programs for trust funds, corporations, public employee groups and Canadian benefits personnel** are described in a booklet from the International Foundation of Employee Benefit Plans. Request item 5517.

■ A brochure from Buck Consultants Inc. describes unique **modeling techniques that help employers collect and analyze claims data**. Request item 5518.

■ Advocate Inc. offers a booklet exploring the **in-depth care and resources needed to successfully bring high-risk premature infants home**. The need to continually assess home care for possible breakdowns is also discussed. Request item 5519.

■ The Prudential Insurance Co. of America provides booklets describing several **employee benefit programs** like traditional indemnity, managed care and health promotion programs. Request item 5520.

■ A survey describing how hundreds of organizations are coping with emerging **FAS 106 liabilities and employee expectations** are discussed in a 20-page publication from Hay/Huggins

Co. Inc. Request item 5521.

■ An article from Buck Consultants Inc. demonstrates how the **proper design and allocation of flexible benefits** can achieve two important goals: control employer costs and increase the value of benefits to employees. Request item 5522.

■ William M. Mercer Inc. offers the results of a survey of 85 Quebec-based chief executive officers on **executive compensation**. Request item 5523.

■ Disability Services Group offers information on **corporate disability and long-term care benefit planning** as well as trends in disability insurance. Request item 5524.

■ The Advisory Communications Systems Inc. offers a compilation of recent journal articles about **family legal plans as an employee benefit**. Request item 5525.

■ An article from Medstat Systems Inc. offers a **model plan that can assist in the decision to form a managed care plan**, create a new plan or judge an existing plan. Request item 5526.

EMPLOYEE BENEFIT MANAGEMENT INFORMATION SYSTEMS

■ Multi-decrement valuations, ancillary benefit costing, FASB compliance reports and more are described in information sheets on EBG & Associates Inc.'s **defined benefit pension plan proposal and administration systems**. Request item 651.

■ WLT Software of Florida Inc. provides an information packet detailing a software program for employers who wish to **self-administer their flexible benefits plans**. Request item 653.

■ A GENESYS Software Systems Inc. brochure describes a program to **maximize human resources planning**. The program includes options like budgeting, performance tracking, succession planning and requisition control, among other features. Request item 654.

■ EBG & Associates Inc. offers information sheets on its **software for administering defined contribution plans**, including 401(k) and employee stock ownership plans. The software handles a vari-

ety of plan designs and administration requirements. Request item 655.

■ A system for **running non-discrimination testing under Section 401(a)(4) and 410(b)** is detailed in a publication from DATAIR Employee Benefit Systems Inc. Request item 656.

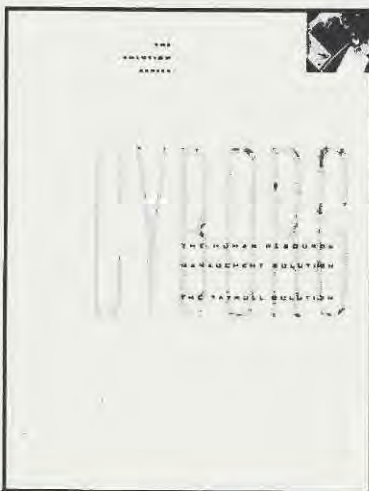
■ A brochure from GENESYS Software Systems Inc. describes its **defined benefit pension plan administration system**. Functions include record keeping, calculations and participant reports, among other things. Request item 657.

■ The DocuMaker software program from EBG & Associates Inc. offers prototype **summary plan documents** and automates document production and IRS form submissions. Request item 658.

■ A publication from SLI-Select Software explains features and functions of Ultraplus, a **Section 125 plan administration software program**, as well as technical specification required for system implementation. Examples of reports generated by the program are included. Request item 659.

■ A booklet detailing a comprehensive system for **administering capital accumulation plans** is offered by GENESYS Software Systems Inc. Features include record keeping, calculations and reporting for 401(k), 403(b), profit sharing, savings and other investment plans. Request item 660.

■ **Administrative options for pension and profit-sharing plans**, including 401(k) plans and ESOPs, are described in a publication from EBG & Associates Inc. Valuation software, supplementary administration software, contract programming and actuarial consulting services are described. Request item 661.



■ An information system from Cyborg Systems Inc. allows users to **manage the components of a flexible benefit plan and flexible spending accounts**. For a brochure, request item 662.

■ Information and a demo disk from EBG & Associates Inc. describes benefit communication **software designed to increase employee participation in 401(k) plans**. Request item 663.

■ GENESYS Software Systems Inc. offers a brochure describing an **automated payroll system**. Features include on-line checks, calculations, direct deposits and tax calculations, among other things. Request item 664.

■ EBG & Associates Inc. offers an information sheet detailing advantages of **custom software solutions**, and the benefits of outsourcing programming needs. Request item 668.

■ An information sheet from Hay/Huggins Co. Inc. details a **defined benefit pension plan administration system** for IBM-compatible computers. The system calculates both estimated and final benefits for early, normal and late retirements. Request item 669.

■ EBG & Associates Inc. provides a pamphlet outlining the **advantages of administering a pension plan in-house** using its BenCalc software. Other system benefits described include pension benefit calculations, employee statements and reduction on actuarial consulting reliance. Request item 670.

■ Hay/Huggins Co. Inc.'s Voice Technology Access system offers **on-line answers to benefit questions, records employee data and receives employee input**. For an information sheet, request item 671.

■ GENESYS Software Systems Inc. provides a brochure explaining its Human Resource System, which **tracks and reports human resources information** like wages and salary, absenteeism tracking, turnover analysis and benefits administration, among other things. Request item 672.

■ A **pension asset accounting system designed to simplify trust record keeping and reporting** is described in a publication and demo disk from EBG & Associates Inc. Features include general ledger and transaction tracking, global pricing and counter-balancing accounts. Request item 673.

■ GENESYS Software Systems Inc. offers a brochure on a system for **effectively managing and administering a flexible benefits plan**. The system features include processing for eligibility and enrollment and confirmation statements. Request item 674.

■ Information sheets, sample reports and a demonstration disk from EBG & Associates Inc. shows the features of a program for **developing age-weighted profit sharing plans**. The software compares benefits under traditional profit sharings, vs. age-weighted profit sharing, as well as other reports. Request item 675.

FINANCIAL SERVICES

■ The Insurance Institute of America's four-course **Associate in Insurance Accounting and Finance designation**, designed for technical accounting, statistical and financial personnel at insurance companies, is described in a flyer. Request item 801.

■ A monthly magazine supplied by Standard & Poor's Corp.'s Insurance Rating Services features articles and commentaries on **key insurance industry issues and trends**. Request item 802.

INTERNATIONAL

■ Aetna/Generali International Network provides a compilation of the usual and customary **employee benefits that are offered in the public and private sectors of foreign countries**. The publication covers employee benefit standards in 39 countries. Request item 902.

■ An eight-page publication provides an overview of Crawford & Co.'s **long-term disability claim services for Canadian insurers**. The publication covers program services including accurate claim evaluations, placement of the beneficiary or employability documentation and approval to receive benefits. Request item 907.

■ International SOS Assistance offers an information package describing **international assistance services** ranging from telephone advice and referrals to full medical evaluations. Request item 908.

■ A quarterly newsletter provided by Buck Consultants Inc. discusses the **global matched savings stock plan**, which enables a multinational company's global workforce to participate in one centrally administered employee savings plan. Request item 909.

■ William M. Mercer Ltd. offers a survey of 2,000 Canadian chief executive officers and senior government officials on **substance abuse as a potential workplace issue in Canada**. Request item 910.

■ A report supplied by William M. Mercer Inc. outlines different approaches to **cost control and management related to Canadian retiree benefits**. The publication also offers suggestions and guidelines for employers as they prepare for meeting Canadian accounting standards. Request item 911.

Continued on page 22

Business Insurance

Information Resource

NOTE: THIS COUPON WILL NOT BE SERVICED AFTER MARCH 26, 1993

All questions must be answered in order to have your inquiry processed.

Please check one item for each category:

1. My organization is best described as:

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B ☐ Association G ☐ Ins Broker L ☐ TPA
C ☐ Union H ☐ Ins/Reins Co M ☐ Healthcare
D ☐ Government I ☐ Actry/Consl Inst
E ☐ Educational Inst J ☐ Attorney N ☐ Other

2. Number of employees:

- 1 ☐ 150 or less 2 ☐ 151-499 3 ☐ 500-999
4 ☐ 1,000-4,999 5 ☐ 5,000 or more 6 ☐ Unknown

3. My title is best defined as:

- A ☐ Administrative Mgt D ☐ Benefits Mgt
B ☐ Financial Mgt E ☐ Loss Prevention Mgt
C ☐ Risk Mgt F ☐ Other

4. My purchasing involvement for the requested products is to:

- 1 ☐ recommend only 2 ☐ specify 3 ☐ approve

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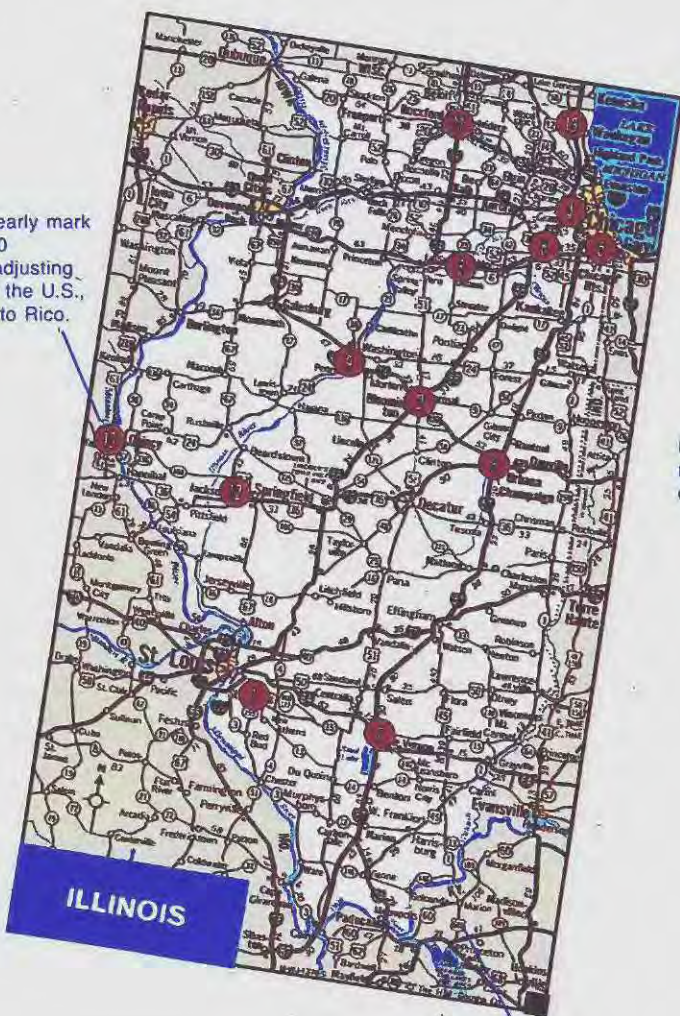
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Illinois

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Claims/Risk Management Services

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Phone: (618) 233-3363
- 2 Bloomington, IL 61701
2416 E. Washington, Ste. D
P.O. Box 61
Robert C. Schollenberger, AIC
Phone: (309) 663-8881
- 3 Champaign, IL 61824-0397
4 Henson Place
P.O. Box 397
Les St. Peter, AIC
Phone: (217) 356-1334
- 4 Chicago, IL
Three Woodfield Lake, Ste. 100C
900 National Parkway
P.O. Box 681519
Schaumburg, IL 60173
FAX (708) 517-4181
Charles A. Brownson, Gen. Mgr.
Phone: (708) 517-4175
- 5 Chicago Hts., IL
4343 Lincoln Hwy.
Ste. 120, 1st Fl.
Mailing Address:
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Matteson, IL 60443-1929
FAX (708) 481-4560
John Dyer, Mgr.
Phone: (708) 481-4011
- 6 Joliet, IL 60435
3033 W. Jefferson St., Ste. 107
FAX (815) 729-1219
Dennis Rendina, Mgr.
Phone: (815) 729-1210
- 7 Mt. Vernon, IL 62864
4114 N. Water St., #A
P.O. Box 516
Joe F. Nation, AIC
Phone: (618) 242-5656
- 8 Ottawa, IL 61350
807 LaSalle St., Ste. 105
P.O. Box 948
Tom Burkhardt, AIC
Phone: (815) 434-3182
- 9 Peoria, IL 61614
7820 N. University, Ste. 106A
FAX (309) 692-5524
Gordon Daniel, Mgr.
Phone: (309) 693-0121
- 10 Quincy, IL 62306
200 N. 8th St., Ste. 105
P.O. Box 1212
Harb Wellman, AIC
Phone: (217) 224-7272
- 11 Rockford, IL 61110
Fairview Bldg., Rm. 222
3600 E. State St.
P.O. Box 4352
FAX (815) 226-0449
D.J. Swendrowski, Mgr.
Phone: (815) 398-3440
- 12 Springfield, IL 62704
2904 Greenbriar Dr., Ste. B
P.O. Box 9170
FAX (217) 793-2841
Pete G. VanGieson, Mgr.
Phone: (217) 793-1850
- 13 Waukegan, IL 60065
2835 Belvidere St., Ste. 106
Larry L. Johnson, AIC
Phone: (708) 623-9600

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Adeline	Chicago
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Alsip	Rockford
Alton	Chicago Hts.
Anna	Belleville
Arlington Hts.	Cape Girardeau, MO
Aurora	Chicago
Barrington	Joliet
Bartlett	Chicago
Bartonville	Chicago
Batavia	Peoria
Beardstown	Chicago
Belleville	Springfield
Belvidere	Belleville
Bensenville	Chicago
Berkley	Rockford
Berwyn	Chicago
Bethalto	Chicago
Bloomington	Belleville
Blue Island	Chicago
Bolingbrook	Bloomington
Bourbonnais	Chicago Hts.
Bradley	Joliet
Bridge View	Joliet
Brookfield	Chicago
Brookport	Chicago
Buffalo Gr.	Paducah, KY
Burbank	Chicago
Burlington	Chicago
Byron	Rockford
Cahokia	Rockford
Calumet City	Belleville
Calumet Park	Paducah, KY
Canton	Rockford
	Chicago Hts.
	Chicago
	Peoria

Refer to:	Branch
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Carmi	Evansville
Carroll Stream	Chicago
Carpentersville	Chicago
Carthage	Rockford
Carly	Quincy
Centralia	Rockford
Champaign	Mt. Vernon
Charleston	Champaign
Chatham	Champaign
Chester	Springfield
Chicago	Belleville
Chicago Hts.	Chicago
Chicago Ridge	Chicago Hts.
Chillicothe	Chicago Hts.
Cicero	Peoria
Clarendon Hills	Chicago
Clinton	Chicago
Collinsville	Champaign
Cortland	Rockford
Country Club Hills	Rockford
Countryside	Chicago Hts.
Crest Hill	Chicago
Crestwood	Joliet
Crete	Chicago Hts.
Creve Coeur	Chicago Hts.
Crystal Lake	Peoria
Dakota	Rockford
Danville	Rockford
Darien	Champaign
DeKalb	Chicago
Decatur	Rockford
Deerfield	Springfield
Des Plaines	Waukegan
Dixon	Chicago
Dolton	Rockford
Downers Gr.	Chicago Hts.
Du Quoin	Chicago
E. Alton	Mt. Vernon
E. Chicago Hts.	Belleville
E. Dundee	Chicago Hts.
E. Moline	Peoria
E. Peoria	Davenport, IA
E. St. Louis	Peoria
Edwardsville	Belleville
Elmhurst	Belleville
Elgin	Champaign
Elk Gr. Vll.	Evansville, IN
Elmhurst	Chicago
Elmwood Park	Chicago
Evanston	Chicago
Evergreen Park	Chicago
Fairfield	Chicago
Fairview Hts.	Mt. Vernon
Flora	Belleville
Flossmoor	Vincennes, IN
Forest Park	Chicago Hts.
Forreston	Chicago
Fox Lake	Rockford
Franklin Park	Waukegan
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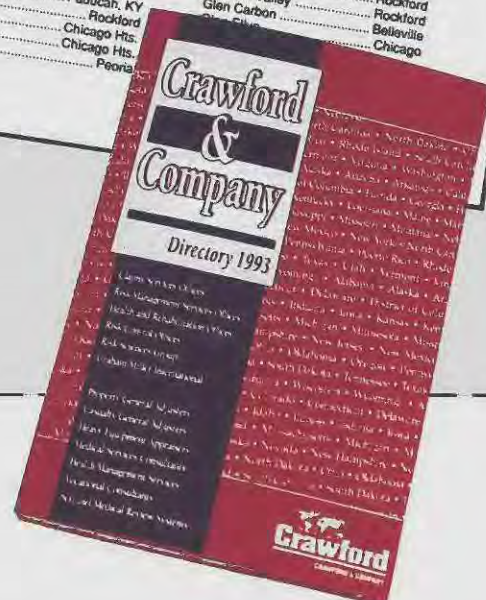
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Crawford & Company, Market Communications
P.O. Box 5047, Atlanta, GA 30302

BI



Crawford
CRAWFORD & COMPANY

Continued from page 20

SELF-INSURANCE SERVICES

■ An information booklet supplied by WLT Software of Florida Inc. describes how third-party administrators and self-administered employers can **cut through extensive regulations and streamline operations**. Request item 1601.

■ A national self-insurance 'vendor locator service'—providing assistance in locating services in the following areas: claims, medical, systems, consulting, loss control and auditing for property/casualty and group benefits programs—is detailed in a pamphlet from SIEX Inc. Request item 1603.

■ Corbel & Co. offers results of its annual **survey of third-party administrators**, which identifies trends in benefit claims administration and makes predictions. Request item 1604.

■ WLT Software of Florida Inc. supplies information on a system that **edits claims prior to processing**. The system checks claims for unbandling, rebundling, diagnosis vs. procedure, upcoding and more. Request item 1605.

■ Advanced Institutional Management Software Inc. provides an information packet outlining an **on-line health claims adjudication and payment system** for self-insurers. Request item 1608.

■ Software solutions designed to provide self-insured employers with **tools to control benefits programs and plan administration expenses** are described in an information packet from Resource Information Management Systems Inc. Request item 1609.

■ A publication from Duncanson & Holt Group addresses **medical stop-loss coverage for self-insurers** primarily from an underwriter's point of view. Request item 1611.

■ SIEX Inc. offers an information sheet describing a **one-day marketing workshop directed at vendors that want to reach the self-insurance market**. Request item 1614.

■ NRM Computer Systems Inc. offers a booklet detailing **paperless claims administration** systems. Request item 1616.

■ A publication from Johns Eastern Co. Inc. lists self-insurance services, including **claims administration, data processing, risk funding, safety services and actuarial services**. Request item 1617.

■ A quarterly newsletter from SIEX Inc. discusses the **property/casualty and employee benefits self-insurance markets**. Request item 1618.

■ Telos Computing Inc. has available a booklet on **automating benefit and claims administration**, including claims processing, COBRA administration, management reporting and cost

containment. Request item 1620.

■ An article from ARM Tech provides information to self-insured entities regarding the **necessity and elements of a claim audit and approximate cost involved**. Request item 1621.

■ A video provided by Barcelona & Co. Inc. discusses way to **control health benefit costs** of a self-funded plan with various products and services. Request item 1622.

■ A brochure provided by Zenith Administrators Inc. details its **employee benefits and claims services**. Request item 1624.

■ A quarterly newsletter from Corbel & Co. that serves as an **information sharing forum for third-party administrators** includes Q&A features and news on legislative changes. Request item 1625.

■ A **health claims administration and billing** system from WLT Software of Florida Inc., called Mediclaims, includes pre-registrations and processing of medical, dental, vision and prescription drug. For a brochure, request item 1626.

■ An article from Clausen Miller Gorman Caffrey & Witous P.C. offers suggestions for lawyers and insurance-related vendors in **dealing with the claims department**. Request item 1627.

■ A quarterly publication available from Intracorp provides information about **claims, health**

care management industry trends and legislative activity to claims adjusters. Request item 1628.

■ An information booklet for third-party administrators offering an **overview of the evolving self-insurance market** with emphasis on the employer's increasing need for cost and utilization information to use in controlling health care costs is available from Health Economics and Market Analysis. Request item 1629. **BI**

Florida health care reform

Continued from page 2

lect money on a regional basis from employers and individuals and then contract with local provider networks.

These networks—called Accountable Health Partnerships and comprising insurers, hospitals, physicians, pharmacies, health maintenance organizations and other providers—would be required to provide care to all citizens.

The regional purchasing alliances would select provider partnerships based on cost and quality.

"The concept is simple," said Gov. Chiles. "Businesses, government and individuals in an area pool their money and purchase the best health care at the best price. Since health care is one of the few remaining major industries in the U.S. that is both locally produced and consumed, it makes sense to look for our answers locally."

The state's Agency for Health Care Administration would oversee the program.

The state would have to contribute about \$800 million per year over and above current public health spending to help pay premiums for those who cannot afford them, while the federal government would have to kick in an additional \$1 billion annually, a spokeswoman for the agency said.

The proposal does not say where this money would come from.

"With more than \$31 billion being spent each year for health care in Florida, we don't need much outside money to make this work. We just need to redirect where the money is going. We have to cut down on emergency room care that costs 600% more than primary care," she said.

An ERISA waiver would be required for the plan to be implemented, but the spokeswoman said she is "fairly confident" that Congress would grant one.

The program would be voluntary, but "the more people that sign up, the better the price will be. We're hoping that prices will be so low that businesses will want to join. And individuals will be given assistance to meet the premiums," the spokeswoman said.

Care provided by the regional partnerships would be heavily managed, she said. Exactly what managed care features are included in the plan would be determined throughout the year.

An advisory council of the Agency for Health Care Administration will be meeting regularly with legislative subcommittees to determine the details of the plan. The advisory council will then make a formal proposal to the Legislature by Dec. 31. **BI**

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cost containment n. efforts used to check, monitor and control the cost of rehabilitating disabled workers while at the same time ensuring that they receive quality care.

GRS gives new meaning to the word "rehabilitation" by offering you a variety of well-defined medical and vocational **COST-CONTAINMENT PROGRAMS** that benefit employers as well as workers. That's because all of our programs are designed to put disabled workers on the *fast track to a comeback*.

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INTERNATIONAL

Terrorism risks will get cover from mutual

By STACY SHAPIRO

LONDON—As the Irish Republican Army renewed its London bombing campaign last week after a holiday truce, the Assn. of British Insurers has confirmed that U.K. property insurers plan to set up a government-reinsured mutual insurer to cover terrorism risks in Britain.

Details of the coverage still are being hammered out, including the rates policyholders will pay, an ABI spokesman said. However, according to a provisional rating schedule obtained by *Business Insurance*, rating is being divided into at least two zones: Policyholders in London and other target cities will pay the highest rates, while policyholders elsewhere will pay lower rates.

The latest wave of terrorism, the ABI says, will have no effect on the terrorist coverage that will be offered by the mutual and backed by the U.K. government.

Four small explosions last Wednesday in the heart of London's shopping district only affirms the need for the coverage, said an ABI spokesman.

"It was under the assumption that (the bombing) would continue that this coverage was sorted out," he added.

The new terrorist coverage proposal follows reinsurers' refusal late last year to automatically cover damage from terrorist attacks under commercial property insurance policies (*BI*, Nov. 23, 1992).

The reinsurers' decision came seven months after a bomb planted

by the IRA in the City of London's financial district caused 800 million pounds (\$1.2 billion at current exchange rates) in insured losses (*BI*, April 20, 1992). This is more than the total amount that the U.K. government has paid in the past 20 years in Northern Ireland, where it indemnifies all terrorism losses.

The reinsurers that refused to provide coverage did not include Lloyd's of London, which was prepared to offer some form of terrorism reinsurance to U.K. insurance companies before the U.K. government stepped in last month and agreed to back underwriters (*BI*, Dec. 28, 1992).

Lloyd's will now participate in the mutual.

Following the reinsurers' decision, the ABI wrote a draft terrorist ex-

clusion for all commercial property policies, causing panic among commercial property owners and policyholders.

Major commercial property investors include ABI member insurance companies, which altogether owned nearly 39 billion pounds (\$72.9 billion at year-end 1991 exchange rate) in property at the end of 1991, ABI accounts show.

The ABI, a panel of eight brokers led by Hogg Group P.L.C. and members of the Assn. of Insurance & Risk Managers in Industry & Commerce have been working since November to come up with a solution. Although the government stressed that the solution had to come from the commercial sector, it finally caved in just before Christmas and agreed to reinsure a terror-

ist insurance pool.

As many as 100 insurers could participate in the mutual, which has not yet been named. Once the mutual is established, the insurers will retain 10% of the risk on top of the premium that is paid by policyholders. The remainder of the risk will be reinsured by the government, the ABI confirmed.

No commissions are expected to be collected by brokers for the coverage, but debits may be made to pay for the mutual's expenses, market sources say.

Insurers automatically will cover commercial damage caused by terrorism up to 100,000 pounds (\$155,150) for each of five sections of a property policy: building, contents, computers, engineering and

Continued on next page

Trinity creditors may receive 70% of total claims

By GAVIN SOUTER

LONDON—Trinity Insurance Co. Ltd., the insolvent London insurer, could pay its roughly 15,000 creditors between 60% and 70% of their total claims if a scheme of arrangement is approved, says the company's provisional liquidator.

The London market insurer has outstanding liabilities of nearly 55 million pounds as of 1991 (\$102.9 million at appropriate exchange rates).

Liquidation, the remaining alter-

native to a scheme, would be more costly, and creditors would have to wait longer for any payments. And under a scheme Trinity would still be able to sue its former directors for breach of duty in their handling of the company's affairs, the provisional liquidators say.

A scheme of arrangement was proposed last week by Price Waterhouse, which was appointed pro-

visional liquidator of Trinity in March (*BI*, March 30, 1992).

Trinity had been authorized to write general insurance business since 1982. Since 1988, the insurer has been owned by GFA International Ltd., a British holding company for businesses owned by Australian entrepreneur Grant Fowler.

About half of Trinity's income was from direct property/casualty insurance, 20% was from direct marine aviation and transport insurance, and 30% was from reinsurance.

The insurer suffered a number of losses, including a large claim from the fire in the London Underwriting Centre in August 1991 (*BI*, Aug. 12, 1991).

Trinity suffered 1991 underwriting losses of 39 million pounds (\$72.9 million), compared with losses of 2 million pounds (\$3.9 million) in 1990.

In addition to poor claims experience, the company had high expenses and bad debts, including loans to companies in which Rupert Murdoch, the media magnate, had substantial investments. Mr. Fowler is married to Mr. Murdoch's niece.

The high expenses included a substantial increase in remuneration for Mr. Fowler in 1991. His 1991 remuneration increased to 557,000 pounds (\$1 million) from 260,066 pounds (\$501,927) in 1990. Total remuneration to seven directors increased to 1.24 million pounds (\$2.3 million) in 1991 from 724,705 pounds (\$1.4 million) in 1990.

Mr. Fowler left Britain in March 1992 and may now be living in Arizona.

Investment losses for Trinity in 1991 totaled 13.7 million pounds (\$25.6 million). Included in the investment losses is a loan of around 5 million pounds (\$9.4 million) to Panfida, an Australian retail group now in liquidation. Panfida was 29.9% owned by Mr. Murdoch.

The combined effect was a 80.1 million pound (\$149.8 million) after-tax loss for Trinity in 1991.

The insurer's total liabilities are estimated at 208 million pounds (\$389 million) at year-end 1991, and its net deficiency is estimated at 54.7 million pounds (\$102.3 million).

"As a result of the financial position of Trinity, the only alternative to the scheme is an insolvent liquidation of Trinity. The provisional liquidators believe that there are significant advantages for creditors under the scheme as opposed to an insolvent liquidation," the Price Waterhouse proposed scheme of arrangement said.

The advantages of a scheme include quicker payments to creditors; payment in the currency of the policies rather than all payments in sterling; lower administrative costs; and more efficient runoff, Price Waterhouse said.

Initial payments to creditors would be not less than 10% of their outstanding claims. However, the first payments might not be made for up to a year after the scheme is approved.

Total payments under the scheme could be substantially higher, Price Waterhouse said.

"The provisional liquidators estimate that during the scheme the payment percentage could rise to between 60% and 70%," they say.

The British Policyholders Protection Board, which administers a guaranty fund for individual policyholders, will participate in the scheme. It would be the first time that the PPB has participated in a scheme of arrangement for a British general insurer, said Derek Wright, secretary to the board.

Under the Policyholders Protection Act 1975, private policyholders are entitled to ask the PPB to pay 90% of their claims if an insurer goes into liquidation.

The PPB has agreed to apply the

Continued on page 25

Study spots developing markets

By STACY SHAPIRO

LONDON—Thailand, Malaysia and Indonesia should show "the most dynamic growth" among East Asian insurance markets in the next few years, predicts a report by Swiss Reinsurance Co.

And Mexico "is expected to be the most dynamic insurance country of the '90s in Latin America," states the SIGMA report, published by Swiss Re's economic studies section.

The study—"East Asia and Latin America: The Most Dynamic Insurance Markets of the '90s"—looks at the insurance markets in these regions between 1970 and 1990.

East Asian nations included in the study are: Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand. Latin America nations studied are: Argentina, Brazil, Chile, Colombia, Mexico and Venezuela.

Premium volume in the two regions together accounted for about 4.1% of the world insurance market in 1990, according to the study.

"In 1970, the insurance industry in the countries of both regions had reached a similar stage of development," the study notes. "Since then, however, both the overall economy and the insurance industry in East Asia and Latin America have undergone very different developments."

The economies in East Asia grew twice as rapidly between 1970 and 1990 as the economies of Latin America, the study found.

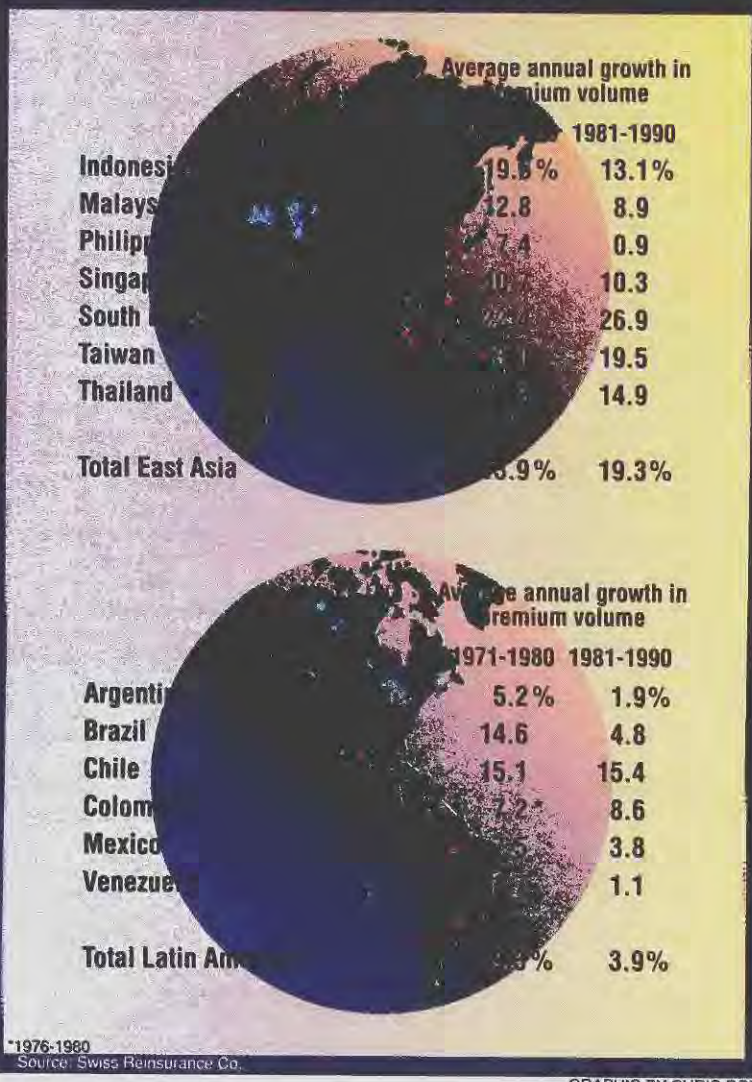
The Pacific Basin is now "one of the world's most dynamic regions," the study states, with Singapore one of the world's most important trading centers.

During the same period, premium

Continued on next page

Finding the hot spots

The insurance markets of East Asian nations and Latin America are expected to show "dynamic growth" in the next few years, a new report contends. The two regions, though, have developed at different paces over the past 20 years.



GRAPHIC BY CHRIS ROY

BI delivery now more timely

Subscribers to *Business Insurance* located outside of North America will receive each week's issue closer to its publishing date starting this week.

Beginning with the Jan. 11 issue of *Business Insurance*, subscribers in the United Kingdom will receive their issue on the Monday publication date. In Europe, subscribers can expect their issues no later than Wednesday. Throughout the rest of the world, the issue will arrive no later than a week past its publication date.

Previously, subscribers in Europe could wait as long as 10 days after publication to receive their issues while in other parts of the world delivery could take as long as three to four weeks unless air mail rates were paid.

BI is now being sent to subscribers outside the United States and Canada by direct postal entry points.

As a result, all subscribers outside the United States and Canada will pay the same \$200 annual subscription rate for this improved delivery service.

In the United States, air mail delivery is \$175; in Canada, \$185.

Terrorism cover

Continued from previous page
business interruption.

An additional premium will be paid by commercial and industrial policyholders to buy back the terrorism exposure into their property policies.

In London, for example, policyholders could pay rates as high as 0.09% of the insured value of a property up to 5 million pounds (\$7.76 million) and as low as 0.023% for property valued over 500 million pounds (\$775.8 million), according to the provisional rating schedule.

Sources say there is an additional loading of as much as 50% of the original all-risk property insurance premium for target buildings in London. Possible targets include: the Lloyd's building; the

Stock Exchange; and Canary Wharf, which the IRA unsuccessfully tried to destroy just before Christmas.

Outside London, rates could be as low as 0.018% for up to 5 million pounds in value and 0.007% for more than 500 million pounds, according to the schedule.

Though the new premiums will add to the cost of insuring U.K. commercial property, they are "not totally unreasonable," said a spokesman for AIRMIC, the British risk managers' association.

Whether the price is reasonable "is a good question," added Bernard Harty, treasurer for the Corporation of London, which owns 5 billion pounds (\$7.76 billion) of commercial property mainly in London.

"It's expensive, but whether it's dear is another matter. . . If you

are now paying a low rate for all-risk (property coverage), then you might find your rates going up substantially" as a result of the separate terrorism coverage, he said.

The Corporation of London renewed its property insurance program on Jan. 1 and obtained terrorism coverage without agreeing on a final premium for it, said Mr. Harty. Negotiations are now taking place over the premium, he said.

The premium for the terrorism coverage depends on many factors including "the definition of location, which makes a difference," said Mr. Harty. A shopkeeper, for example, might pay a higher premium because his shop is in a high-risk area, while a major office developer might pay a lower premium because he's in a low-risk area. **BI**

Growth markets

Continued from previous page
volume in East Asia increased by an average of 16.6% per year to \$40.36 billion in 1990.

Growth increased most sharply in the '80s, the study shows. From 1970 to 1980, premium volume in East Asian nations grew 13.9% per year on average, while premiums jumped 19.3% per year on average from 1981 to 1990.

South Korea saw premium volume climb 24.7% per year on average from 1970 to 1990. South Korea accounted for \$27.7 billion, or 68%, of the East Asian nations' 1990 premiums. In fact, Swiss Re labeled it as the country with the highest "level of insurance penetration worldwide," reporting average premiums of \$648.3 per capita in 1990.

Much of the premium growth in East Asia is credited to an increased interest in life insurance, which grew to comprise 75% of total business in 1990, compared with 40% of total business in 1970, according to the report. Life insurance in the region is used as a savings instrument as well as an insurance mechanism.

"During the 1990s, the insurance industry in East Asia is again expected to grow more rapidly than in Latin America and the industrialized countries," says the Swiss Re report. "The insurance markets of Indonesia, Malaysia and Thailand will probably see the greatest growth, with high development potential expected particularly in life insurance."

Like East Asia, Latin America was rated one of the world's fastest-growing regions in the 1970s, says the report. But in the '80s there was "an extraordinary slump" led by Mexico's declared insolvency in 1982, the report notes.

Following suit, the insurance industry in Latin America underwent two different phases over the past two decades: Premium volume increased by 9.3% per year on average in the 1970s, but dropped to 3.9% per year on average in the 1980s. In 1990, premium volume in Latin American countries studied totaled only \$14.9 billion.

Life insurance plays less of a role in Latin America than in East Asia, accounting for only 18.5% of the region's overall premium volume in 1990. Life insurance also plays only a "minor role" as a savings instrument in the region, the report says.

The future of the Latin American insurance market is more uncertain than East Asia's because the overall economy and the insurance industry are "now undergoing a difficult restructuring process," said the report. In particular, many Latin American insurance markets—including Argentina, Chile, Colombia and Mexico—are now opening to foreign investors, removing restrictions on foreign trade and privatizing state enterprises.

This deregulation in many Latin America countries has eliminated compulsory cessions to state-run monopoly reinsurers, though this is still the case in most East Asian countries, the report notes.

"Until a few years ago, the Latin American insurance markets were characterized by comprehensive state supervision and monopolistic elements," according to Swiss Re. "In contrast to Latin America, the process of deregulation and the opening up of the insurance markets is less advanced in East Asia."

Thailand and Malaysia, in particular, are displaying a tendency toward increased regulation and more rigorous admission requirements for foreign insurers, the report says.

The present General Agreement on Tariffs and Trade negotiations will "exert pressure" on several East Asian countries "to open up their previously isolated insurance markets without restrictions in the course of the next few years," the report adds.

The future of the Latin American insurance industry "depends to a large extent on how economic reform develops," says Swiss Re.

If everything goes right, insurance markets in Mexico and Chile have the "best development prospects," the study concludes. Argentina can also "be expected to have a prosperous insurance industry in the coming years," it concludes.

For a copy of the 34-page report, contact Swiss Reinsurance Co., Economic Studies Section, P.O. Box 8022, Zurich, Switzerland.

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December 1992

LONDON

Continued from page 23
same criteria for creditors of Trinity if the scheme is approved.

The PPB currently is involved in a dispute over whether it should cover claims by some North American professional partnerships that obtained coverage from the H.S. Weavers (Underwriting) Agencies Ltd. casualty line slip. The British House of Lords is due to hear an appeal of the appellate ruling that said the North Americans were covered (BI, July 13, 1992).

However, the PPB would be able to join the Trinity scheme without waiting for the outcome of the appeal, as most of Trinity's policyholders are based in Britain and are not part of U.S. partnerships, Mr. Wright said.

A meeting of the insurer's creditors to consider the scheme will be held in Glaziers Hall in London on Feb. 12. If the scheme is supported by creditors and is given court approval, it should be operational by the end of March, Price Waterhouse said.

The scheme could be operational for between 10 and 15 years, Price Waterhouse said.

The affairs of Trinity are currently under investigation by the Department of Trade and Industry.

The DTI would not comment on its investigations. However, in its report on the company, Price Waterhouse says that some of the Trinity directors did not take every step necessary to minimize the potential loss to creditors.

"Therefore we consider that there appears to be a prima facie case for wrongful trading against at least some of the former directors," Price Waterhouse said.

However, the creditors would only be able to sue the directors for wrongful trading if Trinity is placed in liquidation.

"We believe that the amount that any such director might be ordered by the court to pay would not be significant enough to make liquidation more attractive than the scheme," the report said.

However, the creditors might still be able to sue some of the directors for breach of duty if a scheme is approved, said Paul Evans, a senior manager at Price Waterhouse.

Lloyd's rate hikes seen

Insurance rates for most classes of business at Lloyd's of London will continue rising in the first quarter of 1993, according to a market survey of leading underwriters.

The increases will come on top of rate hikes imposed during the last quarter of 1992, the survey points out.

Meanwhile, the changes at Lloyd's over the past year signify that members' interests have achieved a higher profile in the market, Neil Shaw, chairman of the Assn. of Lloyd's Members, said in a New Year's message. Lloyd's surveyed 25 leading underwriters: 10 non-marine; five marine; five aviation; and five motor.

According to the survey, 87% of the leading underwriters expect rates to increase and 13% expect them to remain the same.

Eighty-five percent of leading underwriters report that rates have increased over the last three months, while 15% said rates stayed the same.

Premium volume is also expected to increase at Lloyd's, according to the survey.

Among the underwriters surveyed, 89% expect premium volume to increase during the first quarter of 1993, while 11% expect it to remain the same.

Premium volume has increased

over the past three months for 83% of the underwriters, but remained the same for 17%.

However, expenses appear to be increasing for many Lloyd's syndicates.

During the last quarter of 1992, expenses increased for 40% of the syndicates, 49% reported no change, and 11% said they decreased.

Of the leading underwriters surveyed, 43% expect expenses to increase during the first quarter of 1993, 44% expect them to remain the same, and 13% expect them to fall.

Meanwhile, 1993 should be brighter than 1992 for Lloyd's members, according to Mr. Shaw of the ALM. "Lloyd's names can approach the new year with a little more hope and optimism than a year ago, although there are still severe losses to be faced."

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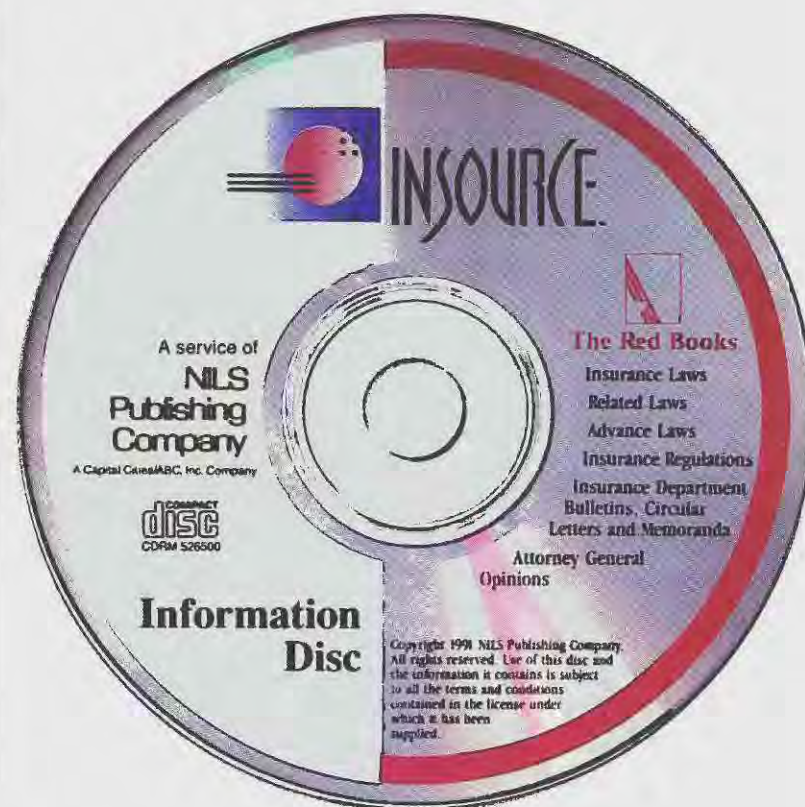
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Fidelity bond suit

Continued from page 3

Coverage was provided through three fidelity bonds over the period from Aug. 30, 1985, to Aug. 30, 1986:

- National Union Fire Insurance Co. of Pittsburgh, Pa., a unit of American International Group Inc., issued a bond providing \$8.5 million above a \$2.5 million deductible.

- Vigilant Insurance Co., a Chubb Corp. unit, issued a second bond that provided fill-in coverage of \$1.5 million within the deductible.

- The third bond, issued jointly by Vigilant and Insurance Co. of North America, a CIGNA Corp. unit, provided coverage of \$20 million excess of \$11 million.

The scope of DLJ's coverage is the key issue, the judge said in his decision. The insurance contracts "afford coverage to DLJ and certain specifically named subsidiaries for losses sustained by the insured due to fraudulent or dishonest acts of employees of the insured." The court said, though, AML "is not named as an insured in any paragraph, section or rider to the bonds."

There also is no evidence that the dishonest AML employees were "special employees" of DLJ or any other entity named on the bonds' list of insureds, which would entitle them to coverage, says the decision.

In court filings, DLJ, represented

by Davis Polk & Wardell in New York, said its failure to list AML was a "technical formality." The only reason it did not appear was due to a clerical error, it argues.

The course of negotiations "clearly leads to the conclusion that all of DLJ's subsidiaries, including AML, was intended to be covered," DLJ maintains.

However, "The court finds nothing in the record to indicate that AML was omitted from the bonds' list of insureds because of some 'clerical error' by defendant insurers," the judge said. And there is no evidence that DLJ and the insurers "clearly intended" to cover all subsidiaries, he ruled.

Furthermore, in August 1985, DLJ's broker, Marsh & McLennan Cos. Inc., sent a memorandum to National Union's representative requesting that nine additional DLJ entities be added to its list of insureds, court papers show. "Once again, although there was an opportunity to rectify mistakes or omissions, no mention was made of AML," the judge said.

But DLJ argued that before issuing the bonds, M&M provided each of the insurers an application with an attached list of subsidiaries that included AML. The judge noted, though, that a supplemental affidavit by an M&M official states "that he can no longer state with certainty" that this application was

sent to the insurers.

Furthermore, there is the question of whether the fraud occurred within the period of coverage, the judge said.

DLJ argues that when it discovered the loss and whether notice of the claim was timely involve factual issues, which make summary judgment inappropriate.

"The record shows that both DLJ and the putative insured, AML, had actual knowledge of the dishonest trading" before the fidelity bonds' inception date, the judge said.

And even if there was no discovery of loss until the later stages of the London trial in June 1986, as DLJ contends, "the record clearly demonstrates that timely notice of loss was not given," the judge said.

"Plaintiffs have failed to offer an acceptable excuse for the delay and no mitigating or extenuating circumstances have been shown," the judge said.

DLJ "never did attempt to explain" why AML was left off the list of insureds, commented Joseph Powers, of New York-based Sedgwick, Detert, Moran & Arnold, which represented Vigilant.

A DLJ spokesman said the firm intends to appeal.

Donaldson, Lufkin & Jenrette vs. Vigilant Insurance Co., New York County, Supreme Court, Dec. 18, 1992, No. 33969/91.

Health care costs

Continued from page 3

creases in the variety and frequency of treatment, increased longevity of the population and high earnings of health professionals, the Commerce Department says.

The department also says waste, fraud and high medical malpractice insurance premiums have contributed to escalating costs.

More than a third of national health care expenditures this year will be for hospital-related services. The Commerce Department estimates that hospital outlays in 1993 will be \$363.4 billion, up 12.4% from \$323.2 billion in 1992.

Other portions of the national health care expenditure pie, their projected costs in 1993, and estimated costs in 1992, include:

- Physician services, \$175.2 billion, up 11.5% from \$157.1 billion.

- Nursing home care, \$76 billion, up 13% from \$67.3 billion.

- Non-durable medical products, \$72.6 billion, up 9.3% from \$66.4 billion.

- Administrative costs, \$54.3 billion, up 11.7% from \$48.6 billion.

- Dentists' services, \$44.2 billion, up 9.4% from \$40.4 billion.

The Commerce Department projects that expenditures for home health care services will increase faster than any other component. It

projects 1993 home health care expenditures at \$16.5 billion, up from \$12.7 billion, a 30% increase.

The Commerce Department report does not break out health care spending by employers from other purchasers of health care services.

However, the department projects that outlays by Medicare—the federal program that provides health care coverage to 31 million retirees aged 65 and over and 3 million disabled people—will rise 11.1% in 1993 to \$145.5 billion from an estimated \$131 billion this year.

While many companies have been shedding employees during the recession, the health care industry has been bucking that trend.

Between 1988 and 1992, the number of employees in the health care industry increased to 10 million from 7 million, an annual growth rate of 9.3%.

During this past decade, the health care industry's employment growth has surpassed employment growth in the rest of the private economy—a trend, the Commerce Department said, which should continue during the remainder of the decade.

Copies of "U.S. Industrial Outlook: 1993," are available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. The cost is \$37. Specify S/N 003-009-00618-0.

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Secretaries, Treasurers, controllers and other Financial Personnel	3,822
Risk/Employees Benefits:	
Vice-presidents, directors, managers, and other related department personnel of insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations	14,998
Sub-total	28,089
Associations	416
Government, Unions and Educational Institutions	1,148
Commercial Consumers	
Sub-total	29,653
Insurance Agents and Brokers	8,947
Insurance Companies	8,080
Accountants, Actuaries, Attorneys & Consultants	3,449
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers	1,748
Others Allied to the Field	904
Single Copies	4
TOTAL	52,785

* Source Business/Occupational breakdown of qualified circulation, May 25, 1992 issue, as submitted to BPA for June 1992 BPA Publisher's Statement.

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Colorado comp

Continued from page 3

- Declare goals regarding employee health and safety that are endorsed by the organization's chief executive officer.

- Establish a risk assessment and incident review committee.

- Write loss prevention rules, which employees must read, date and sign, indicating their agreement to follow.

- Hold safety training sessions.

- Implement claims management, including a modified-duty program and data analysis.

Finally, the seven-member certification board contacts an employers' workers comp insurer.

"We want to know if this employer is cooperative," Mr. Berger said. "Do they use modified duty when they can? Do they keep in contact with (the insurer) and employee, or do they just file a first report and forget it?"

The certificate must be renewed each year. The committee looks at loss history, the number of injuries and the incurred compensation cost.

While the workers comp division can advise employers in setting up a safety program, it doesn't do it for them.

"Our focus is on safety education and claims management and less on the hazards that fall under the jurisdiction of OSHA," Mr. Berger said. "That's for the safety committee to prove to us they've been doing."

Insurers critical of the program say the program requires too much paperwork and too little actual prevention. But employers say the certification process has forced them to take a hard look at loss prevention.

"We've always had a safety program, but it wasn't organized and documented," said Curt Swann, safety director of Hach Co., a Loveland-based manufacturer.

The August 1992 certification was also an opportunity to standardize loss control throughout the company of 900 employees, 600 of whom work in Colorado.

"The cost containment program provided us with the opportunity to bring our safety program back to the forefront," said Linda Reno, risk manager and assistant to the city manager in Northglenn, Colo. "We had a pretty comprehensive program in place, but it wasn't all in one place, where you could take it off the shelf and show it to someone."

"It's quite an ordeal to become certified. You have to review everything you're doing, which is a good exercise."

Ms. Reno estimates that it took her 40 hours over the course of three weeks to prepare the necessary documents.

The work has paid off. The Denver suburb with 200 full-time and 50 part-time and seasonal workers expects to save \$80,000 from the program, only \$14,000 of which is the premium dividend.

That cuts the city's current workers comp costs to one-sixth of the costs incurred in the year prior to being certified.

"We have fewer claims considered lost-time claims and less serious medical claims," Ms. Reno said. For example, the city has reduced the number and severity of repetitive motion claims through early intervention and conservative treatment.

"There are not as many surgeries," Ms. Reno said. "We emphasize awareness and training. If employees recognize (the in-

jury), it can be resolved right away."

The city heard about the program through its workers comp insurer, the Colorado Compensation Insurance Authority. The quasi-public competitive fund is the state's largest workers comp insurer and covers about 60% of the certified companies.

Although the CCIA must give premium rebates, the savings in reduced claims far outstrip the dividends, said Harry Phillips, loss prevention supervisor.

In the first year of the program, the CCIA refunded about \$600,000 in premium to 61 certified policyholders.

"The estimated reduction in the cost of those 61 policyholders is into the millions of dollars," Mr. Phillips said.

The program "empowers the policyholder to take ownership of their losses," he said. "It's strictly organizational. It takes a

lot of time and effort, but it's elemental."

At least one insurer, however, believes the certificates are too easy to obtain.

"I think it's a program that sounded great at the time, but in reality it's a giveaway of 5% by insurers," said Tom Glock, regional vp of Transamerica Insurance Group, who also expressed concern about how companies in the program are monitored.

"Some of the most unattractive businesses are getting certificates. Some have no genuine interest in the welfare of their employees," Mr. Glock said.

Policing is left to the insurers, which already reflect a company's loss history in their rates, he said.

The certification committee recently rejected its first applicant for having a "paper program," said Mr. Phillips, who sometimes represents the CCIA in its per-

manent seat on the panel.

"You can't just bring in documents and pick up your money," Mr. Phillips said. "It's not a certificate mill."

Kenneth Nelson, safety committee director of the Swingle Tree Co. in Denver, believes the cost containment program is effective but agrees standards could be tougher.

"The harder it is, the better," Mr. Nelson said. "If the majority (of employers) start doing it, it can drive this crazy system down. It's out of hand. In the long run, everybody pays less."

The landscape and maintenance firm has cut its workers compensation costs by nearly a third, Mr. Nelson said.

Prior to being certified in January 1991, the company was spending \$250,000 annually on premiums and payments. Now it receives a \$20,000 dividend.

Injuries have declined from

more than 70 in previous years to 56 in 1991 and 39 in 1992, Mr. Nelson said.

Most proponents would make only minor changes in the cost containment program.

"The literature they give you to become certified could be more user friendly," Mr. Nelson said, though he noted the state office is extremely responsive in answering questions.

Mr. Phillips would make enforcement of safety rules a separate step, as it is in the CCIA's in-house loss control program.

"Carriers other than CCIA should take a more active role in helping their policyholders obtain certification," Ms. Reno of Northglenn said.

"If you reduce losses, insurance companies make more money. I don't know why they are not more aggressive. I'm not convinced everyone is aware of the program."

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New Jersey ruling

Continued from page 2

"there would be far more disruption of the commercial market," predicted Wesley S. Caldwell III, a partner in the Newark, N.J., office of LeBoeuf, Lamb, Leiby & MacRae. Mr. Caldwell represents ITT Hartford in the case.

Mr. Caldwell dismissed the state's argument that insurers currently writing auto coverage have a choice: They can continue to do so or they can get out. "It's like your choice whether you wanted to be killed by hanging or the gas chamber."

William H. Mellor III, president and general counsel of the

Institute for Justice, a public interest law firm with a free-market orientation, said that the issues extend far beyond insurance.

Mr. Mellor, whose organization was joined by several other free-market associations in filing an amicus brief seeking review, said that when government regulation becomes too oppressive, people retain the right to "vote with their feet" and leave. The New Jersey law seeks to remove that right, he said.

"The only interest the state has in preventing exit is to coerce the shareholders of automobile insurance companies into shouldering financial obligations that

were caused by the regulatory ineptitude of the state legislature," reads the Institute for Justice brief.

In its brief arguing against Supreme Court review of the case, New Jersey holds that the "conditions that the insurance commissioner has imposed upon Twin City's withdrawal" do not violate the U.S. Constitution's guarantee of due process. Further, the brief holds that the McCarran-Ferguson Act grants states "the exclusive power to regulate the business of insurance."

The case began even before Gov. James J. Florio, D-N.J., signed the auto insurance reform

act on March 12, 1990. Five days earlier, Twin City attempted to surrender its certificate of authority to do business in the state, holding that the reform act would cause it "devastating losses in future years." At the time, Twin City—which is still writing personal auto business in the state—held slightly more than 1% of the N.J. personal auto market, with premium volume of \$16.3 million.

But the law, designed to replace the state's troubled joint underwriting association for private auto insurance, was implemented retroactively. Any insurer requesting to withdraw from the private auto insurance market on or after Jan. 25, 1990, could be required—along with its affiliated companies—to surrender all property/casualty licenses at the commissioner's discretion.

ITT Hartford and the AIA challenged the law in state court, holding—among other things—that the reform law jeopardized insurers' ability to make a profit (BI, Aug. 20, 1990).

The law requires insurers to pay \$1.4 billion over a period of years to bail out the JUA. At the time, AIA's Mr. Snyder pointed out that auto insurers collectively made a profit of \$29.5 million in 1989. "It doesn't take much of a mathematician to realize that whatever (profit they) realize will be wiped out by the assessments and surcharges called for under the law," he said.

The state Supreme Court, however, ruled in favor of the state on July 29, 1992. The court cited the McCarran-Ferguson Act and also held that the law does not violate the Constitution's com-

merce clause, which gives Congress sole jurisdiction over interstate commerce.

The AIA's Mr. Snyder does not find the state's contention that the McCarran-Ferguson Act has sole jurisdiction over the matter compelling.

"This kind of law would be automatically stricken against any state action subject to the interstate commerce clause. McCarran-Ferguson did not suspend constitutional protections," he said.

Mr. Snyder also raised the possibility that laws like New Jersey's have the potential to "Balkanize" the states. Such laws allow regulators to "deliberately create losses for a carrier" so that insurers must seek to make up the difference through premiums paid in other states.

New Jersey is not the only state with such a law, as the AIA brief points out. Massachusetts has a similar law, which was upheld by its Supreme Court. That law was the center of a legal controversy in 1987 when the state required insurers wanting to withdraw from the personal auto market not merely to surrender all licenses but also to pay an exit fee, often totaling tens of millions of dollars (BI, July 6, 1987; Nov. 23, 1987).

The AIA brief notes, however, that both the New York and North Carolina supreme courts have overturned similar laws on constitutional grounds.

"Unless this conflict is resolved, state legislators, regulators and insurers will face continuing uncertainty whether other states can follow New Jersey's lead and enact insurance lock-in laws," says the AIA brief.

No. 92-728. *Twin City Fire Insurance Co., et al, vs. Samuel F. Fortunato, Commissioner of the New Jersey Department of Insurance.*



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401(k) proposal

Continued from page 3

mine that average contributions by highly compensated employees do not exceed the contributions by non-highly compensated employees by more than legally prescribed amounts.

Benefit consultants welcome the proposed change as significant administrative relief for employers that offer 401(k) plans to employees represented by different collective bargaining units.

For employers that may have had to run the test dozens of times, "There would have been significant administrative problems," pointed out Frank Roque, a consultant at Hewitt Associates in Lincolnshire, Ill.

While the proposed change is welcomed by employers, benefit consultants hope the IRS will go one step further to simplify non-discrimination testing in situations in which a 401(k) plan covers both union and non-union employees.

In such a situation, the IRS says the non-discrimination test has to be run separately for union and non-union employees—even though the employees were covered by the same plan.

This separate testing requirement can cause problems for employers that have not identified in their 401(k) plan records whether or not an employee is covered by a collective bargaining agreement, said Henry Saveth, a principal with A. Foster Higgins & Co. Inc. in New York.

"The proposed rules solve only one part of the problem of running the non-discrimination test for employers with both non-union and union employees," Mr. Saveth said.

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4C043

EBRI report

Continued from page 1
considered insured.

The number of non-elderly uninsured Americans increased to 36.3 million in 1991 from 35.7 million in 1990. That equals 16.6% of the non-elderly population in each year, the EBRI report says. There were 34.4 million uninsured in 1989 and 33.6 million uninsured in 1988.

Among the uninsured in 1991, 79.3%, or 28.8 million, were workers or their dependents. Of the remaining uninsured, 6.3 million were non-working adults and 1.2 million were children of non-working adults.

In 1988, workers and their dependents accounted for 78.9%, or 26.5 million, of the uninsured.

EBRI reports that the percentage of Americans covered by group health care plans has steadily declined over the past several years to 57.2%, or 142.3 million, of the total population of 248.7 million Americans in 1991. That is down from 59.7%, or 143.8 million, of 240.8 million Americans in 1988.

Workers at small firms account for more than half of the 2 million increase in uninsured workers and spouses between 1988 and 1991.

The report shows that 13.1 million of the non-elderly uninsured in 1991 were self-employed or worked for companies with 99 or fewer employees (see chart, page 1). Workers at small firms and the self-employed accounted for 12.9 million of the uninsured in 1990, 12.3 million in 1989 and 12 million in 1988.

Thirty-two percent of the workers at companies with fewer than 10 employees were uninsured in 1992, as were 25% of those at firms with 10-24 workers. In comparison, only 9% of workers at companies with

1,000 or more employees and 10% of workers at companies with 500 to 999 employees were uninsured.

"Health care inflation has really forced these numbers," Mr. Custer said, referring to the number of uninsured workers at small companies.

"This is the flip side of the health care cost crunch," said Ellen Goldstein, director of health care policy for the Washington-based Assn. of Private Pension & Welfare Plans, an employer-supported benefits lobbying group.

In a surprise reversal of policy, the APPWP last month said all employers should offer health care coverage and pay for most of the cost. The group also recommended measures to control health care costs (BI, Dec. 21, 1992).

The EBRI report "shows how dysfunctional the small-group market is," said Kristin Bass, manager-human resources policy for the U.S. Chamber of Commerce in Washington.

While the Chamber would welcome a revamped small-group health insurance market and tax incentives for small companies to offer health insurance, it opposes an employer mandate. "Just because the government says you have to do it, that doesn't mean you have the margin" to offer health coverage, Ms. Bass said.

While the shift in job growth is a less significant factor in the increase in uninsured workers, it is still important, Mr. Custer said.

Consider that only 11.7% of workers in the manufacturing industry were uninsured in 1991, while 33.9% of personal services workers, 25.9% of business and repair services workers, 25.2% of retail workers and 21.1% of entertainment and recreation services workers were uninsured.

And service sector jobs have grown by more than 3.6 million since 1988 to 28.8 million in 1990, and retail jobs have increased by nearly 1 million in the same period to 19.8 million, according to the latest Census Bureau statistics. The number of manufacturing jobs, meanwhile, has dropped by more than 300,000 during that period. And the manufacturing sector lost nearly 800,000 more jobs in 1991.

EBRI also noted that 40.8% of agriculture workers, 30.7% of construction workers and 21.6% of the self-employed were uninsured in 1991.

The industries in which the smallest percentage of workers are uninsured are:

- Government, 6.9%.
- Finance, insurance and real estate, 8.5%.
- Professional services, 10.6%.
- Transportation, communications and utilities, 11.7%.
- Wholesale, 12.8%.

The report also points out that the District of Columbia was the only jurisdiction in 1991 where the uninsured accounted for more than 30% of the non-elderly population—30.3%. But, at least 20% of the non-elderly population in 10 states were uninsured: Texas, 25.3%; Louisiana, 23.8%; Florida, 23.5%; Mississippi and Oklahoma, 22.1%; Nevada, 21.8%; California, 21.7%; Arizona, 21.1%; and Alabama and Idaho, 20.6% each.

Copies of the survey are available from The Johns Hopkins University Press at 410-516-6946 or by calling Kim Thorpe at the Employee Benefit Research Institute at 202-775-6315. Callers should request Issue Brief No. 133, which is free for EBRI members and costs \$25 for non-members.

FAS 113

Continued from page 1
1992). These respondents were invited to a public FASB meeting last September, and the accounting board issued its final standard, FAS 113, last month.

The rules cover contracts that are "short-term"—meaning property/casualty—and "long-term"—meaning life/health—though the most significant changes are to property/casualty reinsurance accounting, noted Alice Schroeder, project manager with FASB in Norwalk, Conn.

The key accounting changes wrought by FAS 113, effective for fiscal years beginning after Dec. 15, 1992, include the following:

- Contracts will be considered reinsurance for accounting purposes only if they transfer "significant insurance risk" to the reinsurer and expose the reinsurer to the risk of "significant loss."

A contract would fail this test if there were only a remote chance of variation in the amount or timing of payments by the reinsurer, FASB says.

Contracts that do not meet the definition of reinsurance would be reported using deposit accounting rules that are less advantageous to ceding insurers.

- Ceding insurers must differentiate between prospective reinsurance contracts and retroactive contracts.

This provision essentially bars cedants from reporting an immediate gain on their income statements for certain retroactive contracts.

For example, a reinsurer might agree to provide up to \$10 million in coverage on an insurer's past business for an \$8 million premium, expecting to make up the difference in investment income before the claims are actually paid.

For the Record

Several firms report FAS 106 charges

Several companies last week announced charges stemming from their obligations under Financial Accounting Standard 106.

GTE Corp. will take a one-time aftertax charge of \$2.34 billion, which, along with other unrelated accounting changes, has caused the company to restate its nine-month 1992 results to show a loss of \$1.17 billion, compared with previously announced earnings of \$1.37 billion.

Chevron Corp. will retroactively take an aftertax charge of \$625 million in the first quarter of 1992 for FAS 106. The charge will be partially offset by gains totaling \$85 million in the second and third quarters related to FAS 109, which accounts for anticipated tax benefits from future benefit liabilities.

Santa Fe Pacific Corp. said it will retroactively take a one-time aftertax charge of \$165 million in 1992's first quarter to comply with FAS 106 and FAS 112, which governs accounting for other post-employment benefit liabilities.

Marsh & McLennan Cos. Inc. will retroactively take a \$45 million charge in the first quarter of 1992, which is partially offset by a \$5 million gain from FAS 109.

Mental health chain settles with Texas

MACON, Ga.—Charter Medical

Corp. and the attorney general of Texas have reached a \$3.25 million settlement over allegations of improprieties at the psychiatric hospital chain's Texas facilities.

The settlement includes investigation costs, withdrawal of claims against the Texas Crime Victims Compensation Fund and free mental health care to some Texas residents for two years.

This marks Texas' second settlement with a major psychiatric hospital chain. Last June, Texas reached a similar \$9 million settlement with Santa Monica, Calif.-based National Medical Enterprises Inc. (BI, July 27, 1992).

Neither company admitted any wrongdoing.

The settlements come in the wake of the state's yearlong investigation of private psychiatric hospitals. Some settlement provisions will not go into effect unless the state reaches similar agreements by Jan. 15 with two other hospital chains: Nashville, Tenn.-based Hospital Corp. of America; and Community Psychiatric Centers of Laguna Hills, Calif.

Macon, Ga.-based Charter agreed that its Texas hospitals would not admit patients without prior psychiatric evaluation, would not offer employees financial incentives to recruit patients and would not offer schools the services of Charter counselors who refer students to the chain.

"We plan to use this settlement...to reassert our leadership in industry reform and our commitment to high standards," said William A. Fickling Jr., Charter's chairman and CEO. **BI**

103rd Congress

Continued from page 2

Brooks' bill would: prohibit insurers from price-fixing, a term the bill does not define; forbid the allocation of regions or customers among competitors; prohibit tying the sale of insurance to the sale of any unrelated product; and forbid monopolization of any part of the insurance business.

The crusty Texas Democrat, who describes the McCarran-Ferguson Act as an "economic anachronism," pledged swift enactment of H.R. 9, which is strongly opposed by insurers. During the 102nd Congress, the legislation cleared the Judiciary Committee, but Rep. Brooks did not seek a House floor vote on the proposal.

The quick introduction of the legislation is a sign that Rep. Brooks is serious about moving the bill forward, said David Pratt, senior vp-federal affairs at the American Insurance Assn. in Washington.

The family and medical leave legislation, H.R. 1, was introduced last week by Rep. William Ford, D-Mich., who predicted that the measure will quickly pass and become the first major piece of domestic legislation signed by President Clinton.

Other bills introduced in the opening days of the session include:

- H.R. 16, introduced by House Energy and Commerce Committee Chairman John Dingell, D-Mich., which would establish a Canadian-style national health insurance program.

- H.R. 30, introduced by Rep. Fred Grandy, R-Iowa, which would require employers to offer—but not pay for—a group health care plan.

- H.R. 94, introduced by Rep. Jan Meyers, R-Kan., which would overturn a provision in a 1991 law that now imposes a 20% withholding tax on many types of pension distributions.

Complying with the tax, which can only be avoided if distributions are directly transferred to another retirement plan, is causing employers significant administrative problems.

- H.R. 13, introduced by House Ways and Means Committee Chairman Daniel Rostenkowski, D-Ill., which is similar to a tax bill passed by Congress last year but also vetoed by President Bush (BI, Oct. 12, 1992).

Provisions in the Rostenkowski bill would make it easier for employers to run non-discrimination tests on their 401(k) plans and also would exempt certain, small pension distributions from the 20% withholding tax.

- H.R. 298, introduced by Rep. J.J. Pickle, D-Texas, would require employers with underfunded defined benefit pension plans to fund or collateralize a plan at 90% of its current benefit obligations before benefits could be increased.

The bill also would require that contributions to an underfunded plan at least equal annual benefit payouts. The bill is virtually identical to a measure he introduced last year.

- H.R. 227, introduced by Rep. Dale Kildee, D-Mich. The measure would permanently extend Section 127, the now expired section of the Internal Revenue Code that had allowed employers to provide up to \$5,250 in tax-free tuition reimbursement benefits (BI, Dec. 28, 1992).

- H.R. 144, introduced by Rep. Christopher Cox, R-Calif., which would abolish pain and suffering awards against medical care providers.

- H.R. 438, introduced by Rep. Ron Wyden, D-Ore., to create federal minimum standards for long-term care insurance policies. **BI**

in their financial statements any credit risk arising from the concentration of reinsurance recoverable from a given reinsurer.

FAS 113 is likely to change the financial reinsurance market, several observers say.

The rule's provisions on risk transfer mean that "non-traditional reinsurance by nature will have to have more risk transfer in it than it had in the past," said David Koegel, senior vp with intermediary Gill & Roeser Inc. in New York.

Financial reinsurance generates several billion dollars a year in premiums, estimated Mr. Picoult. "Some of that should turn into more traditional coverage."

Retroactive reinsurance covers, already hurt by statutory accounting restrictions, now are "dead or drastically diminished," Mr. Koegel said. The only exception, he noted, would be "assumption and novation" agreements, in which the reinsurer assumes all legal liability for claims against the ceding company.

While Mr. Picoult said FAS 113 hits financial reinsurers "right in the lower extremities," a financial reinsurance executive downplayed the impact of the rule.

"We are not particularly troubled by 113," said Bruce Bunner, president of Centre Reinsurance Co. of New York. Retroactive contracts are not big money-makers and the risk transfer requirements are "not necessarily a problem," he maintained.

Centre Re will have to revise multi-year contracts that feature retroactive and prospective elements, separating the retroactive portion to avoid accounting penalties, he said.

"Companies like us, we'll just adapt, that's all," he said. **BI**

Prop. 103 report

Continued from page 1
tion 103 are primarily responsible for that decreased growth rate.

Growth has slowed because "the economy has been in terrible shape," said Richard Welch, risk manager for the City of Los Angeles.

"I hope they file this report in the fiction section of the Library of Congress," said a spokesman for the Assn. of California Insurance Cos. in Sacramento. The only reason auto premium growth has slowed in California is because "rates are frozen while the commissioner bungles his way through Prop. 103 regulations," he said.

Auto premium growth has slowed because of "an artificial rate freeze," said a spokeswoman for SAFECO Insurance Co. of America in Seattle.

Thomas Vance, risk manager of the City of Anaheim, pointed out that though risk managers were concerned when Prop. 103 passed that it might impact commercial insurance, it has had no major effect on large commercial buyers.

Prop. 103 has resulted in savings for some commercial policyholders, but NICO researchers "did not attempt to quantify them" in the report. Mr. Hunter said in an interview. "We know that there are savings in commercial auto, but it's a little trickier for other commercial lines because of the soft market."

A provision in Prop. 103 that allows brokers to rebate commissions is "an upside that has affected everyone, including buyers of commercial insurance," pointed out Anaheim's Mr. Vance.

"There are advantages to having the broker use the commission to raise or lower the net costs (of insurance) to the buyer. . . . That really has widened the risk manager's opportunity," he said.

Proposition 103, approved by voters in November 1988, called for a 20% rate rollback and other sweeping reforms. Two insurance commissioners have since frozen rates as they tried to implement the rollback (*BI*, May 18, 1992).

In January 1991, newly elected Commissioner John Garamendi reinstated the rate freeze that his predecessor, Roxani Gillespie, had lifted earlier that permitted 60 insurers to raise rates. Mr. Garamendi said the freeze would not be lifted for any insurer until that insurer had complied with rollback orders and litigation had been concluded.

In a challenge to the rollback mounted by 20th Century Insurance Co., the first insurer ordered to make refunds, a state court judge is expected to rule within three months on the legality of Mr. Garamendi's regulations (*BI*, Dec. 28, 1992).

In addition to the cost savings they cited, both Mr. Hunter and

consumer advocate Ralph Nader, who also presided at last week's press conference, emphasized that making the insurance commissioner's office an elected rather than an appointed post was one of the most significant effects of Prop. 103's passage.

Prop. 103's sponsor agreed. "While Voter Revolt believes Commissioner Garamendi has occasionally been too lenient on the insurers and too conservative in his rollback formula, he and his staff have transformed the office from an industry sinecure to an activist consumer protection agency that is a model for government," said Harvey Rosenfield, chairman of Voter Revolt, which sponsored the initiative.

But a spokesman for Farmer's Group Inc. in Los Angeles said Prop. 103 has "failed to achieve anything but a publicity-hungry elected insurance commissioner in California."

Critics also point out several negative effects of the law, and say any rollbacks are being offset by new costs passed on to consumers.

"The proposition bloated the state bureaucracy and doubled the Insurance Department payroll and budget to almost \$70 million per year at a time when insurers, businesses and families are trying to cut costs and eliminate waste," the Washington-based American Insurance Assn. said.

"Also, the insurance industry has been assessed approximately \$100 million in new 'Proposition 103 fees' that will be paid by policyholders," the AIA said.

The NICO report "is silent on the expanded costs of the DOI staff and litigation costs" involving Prop. 103, agreed the City of Los Angeles' Mr. Welch.

"Prop. 103 has failed to deliver on the promise of rollbacks to the voters and has added at least \$1 of expenses for every dollar in rollbacks by doubling the Insurance Department's bureaucracy," said David Snyder, the AIA's senior counsel.

However, NICO's report pointed out that "three of the 14 of the largest auto insurers have complied with Proposition 103's rollback requirements and have refunded over \$200 million." Other insurers re-

funded about \$125 million in homeowners or commercial insurance premiums soon after the measure passed, the report said.

"As the Proposition 103 drafters anticipated, the insurance industry has responded to 103 by cutting excess costs and reducing commissions, overhead, and other expenses," the NICO report said.

"Reduction of waste and inefficiency has been combined with far greater efforts by the industry to fight for safety and against fraud," the report continued.

The ACIC spokesman countered that insurer cost-containment efforts have been "driven by a recession economy, not 103. You can make that statement about every industry in the country," he said.

While Anaheim's Mr. Vance concurred that antifraud activity on the part of insurers has increased since passage of Prop. 103, "it may be entirely coincidental."

"Much of the credit seems misplaced," commented the SAFECO spokeswoman. Even before Prop. 103 was passed, SAFECO has been "exceedingly good at investigating fraud," she argued. And insurers have also been "good at emphasizing traffic safety," she added.

NICO also championed a Prop. 103 provision subjecting insurers to all California antitrust laws and unfair business practices statutes.

"Proposition 103's elimination of the industry's antitrust exemption has prohibited the industry practice of distributing proposed rates, which led to collusive price-fixing by insurers," the NICO report said.

But, Mr. Vance said, "one downside is that a lot less industry data exists than used to exist."

The report also observed that Prop. 103 "has stimulated similar reform efforts in at least 42 states."

But the AIA's Mr. Snyder said, "We estimate that about 220 bills have been introduced from 1988 to the present containing one or more pieces of Prop. 103, and almost all of them have been rejected except for actions in perhaps 10 states."

Copies of the report, "A Consumer Triumph: Proposition 103 Revisited," are available for \$50 from the National Insurance Consumer Organization, 121 N. Payne, Alexandria, Va. 22314; 703-549-8050.

Nader blasts attorney general pick

Clinton inaugural planners would be wise to avoid seating Ralph Nader and Zoe Baird at the same table. Or maybe even in the same ZIP code.

At his Proposition 103 press conference, Mr. Nader nearly went apoplectic when asked about President-elect Bill Clinton's nominee for attorney general, who is currently senior vp and general coun-

sel for Aetna Life & Casualty Co.

Nominating Ms. Baird, "who has passionately believed" and defended Aetna's calls for tort reform, was nothing less than "a betrayal" by President-elect Clinton, charged Mr. Nader.

Mr. Nader did stop short of saying he would testify against Ms. Baird.

—By Mark A. Hofmann

Corrected PPO listing from managed care directory

Incorrect information was supplied for the following PPO in the the 1992-1993 Managed Care Market Report (*BI*, Dec. 18, 1992):

ETHIX Mid-Atlantic

Valley Forge Office Center, 530 E. Swedesford Road, Suite 201, Wayne, Pa. 19087; 215-971-0404; fax: 215-971-0159

Staff	
Physicians	1,065
Board-certified	85%
Specialists	1,569
Administrative	60
Marketing	2
Facilities	
Hospitals	50
Diagnostic labs	36
Users: Group Health	
Employer/payer groups	365
Employees & dependents	132,370
Users: Workers Compensation	
Employer/payer groups	1,000
Total users	133,370

Revenues	
1991	\$44,309,260
1990	\$26,846,293

Operational date: February 1986.
For profit.

Service area: Pennsylvania: Bucks, Chester, Delaware, Montgomery and Philadelphia counties; 17 counties in New Jersey.

Services: Standard package including vision, durable medical equipment, podiatry, OB/Gyn, specialty medical care and testing centers, ambulance, physical therapy, diagnostic X-ray and lab, home health care, mental health clinics, chiropractic, hospice. Services available unbundled. Employees can select non-PPO providers. May be customized to meet employer specifications. Individual enrollment is allowed.

Compensation: Negotiates hospital charges by per diem, discount off customary rates, DRGs, fixed rate; is compensated by employers/payers, providers, insurers, TPAs; charges a flat fee per employee, percent of services by

doctors/hospitals. Services groups under contract with Hartford Life Insurance Co., Mass Mutual Life Insurance Co., Northwestern National Life Insurance Co., John Hancock Life Insurance Co., Comprehensive Benefits Service Co., Johnson Administrators, Susquehanna Administrators, BFN Corp., Durham Life Insurance Co., Employers Health Insurance, Brokerage Concepts, Eastern Benefits, Underwriters & Administrators.

UR: Standard procedures including DRG review, mental health/substance abuse, negotiation services. UR provided by the PPO and by Scheffel Associates for worker's comp case management.

Officers: Leon W. Jalbert, president; Kathleen D. Morrissey vp-operations; Donald Lieberman, medical director; Valerie J. Phillips, marketing director; Richard Kupniewski, vp-finance and administration.

Contact: Valerie J. Phillips, group health; Drew Eastwick, workers compensation. **BI**

Update

Wisconsin regulator resigns

MADISON, Wis.—Wisconsin Insurance Commissioner Robert D. Haase resigned last month under fire for allegedly giving preferential treatment to a departmental employee who was also his housemate.

At issue is whether Mr. Haase, 69, gave Gary M. Sullivan Jr., 29, unethical preference in hiring, promotions and travel expense reimbursement. Mr. Sullivan joined the department in 1987 as a "limited term" employee with Social Security benefits only. In January 1991, he became a "project employee," with full benefits. He was earning \$44,454 annually as "insurance administrator," when he resigned last month, said Deputy Commissioner John Torgerson.

Critics, including at least one department member, complained about Mr. Sullivan's attendance record and his inadequate progress on special projects for Mr. Haase, said Mr. Torgerson, who is running the department until the governor names a permanent replacement.

The state ethics board is looking into the matter, and the Legislative Audit Bureau has been asked to review hiring practices.

Ruling favors Liberty Mutual

PHILADELPHIA—Liberty Mutual Insurance Co. was awarded nearly \$489,000 last month in a counterclaim against former workers compensation insurance policyholder HGO Inc. of Wayne, Pa.

HGO sued Liberty Mutual in 1990, claiming the insurer had failed to provide adequate loss control, claims processing, loss reporting and loss prevention services (*BI*, Aug. 10). HGO alleged that the insurer's actions caused its retrospectively rated premiums and its experience modifier to increase.

Liberty Mutual countersued HGO, seeking unpaid premiums.

U.S. District Judge Clifford Scott Green ruled in favor of Liberty Mutual, awarding it unpaid premiums and interest of nearly \$231,000, as well as attorneys' fees and costs exceeding \$258,000.

HGO and Liberty Mutual would not comment.

Pfizer takes case to high court

SANTA ANA, Calif.—Pfizer Inc. is asking the California Supreme Court to overturn a ruling that domestic out-of-state heart valve recipients can sue the company and its Irvine-based subsidiary Shiley Inc. for emotional distress in California. An appellate court on Dec. 30 rejected the New York-based company's second request that it review the trial court ruling, which Pfizer says conflicts with a prior ruling by the state's high court (*BI*, Dec. 7, 1992).

At least 225 recipients from outside California are pursuing claims against the heart valve maker. Pfizer settled an additional 330 claims late last year for an undisclosed sum (*BI*, Nov. 30, 1992).

Coverage for Paris plane crash

PARIS—A 35-seat twin-engine plane that crashed last week at Charles de Gaulle Airport, killing four of the 19 passengers and four crew members, was insured for \$12 million.

Another 14 passengers and two crew members were seriously injured when Dash-8 City-Line Lufthansa flight 5634 from Bremen, Germany, crashed short of the runway in foggy weather at night.

ContactAir Flugdienst GmbH & Co. of Stuttgart owns and insures the plane. Hull and third-party liability coverage is written by the German aviation insurance pool Deutsche Luftpool and is reinsured in London. The reinsurance is led in London by Robert Malatier Ltd., an agency writing mainly for French insurers.

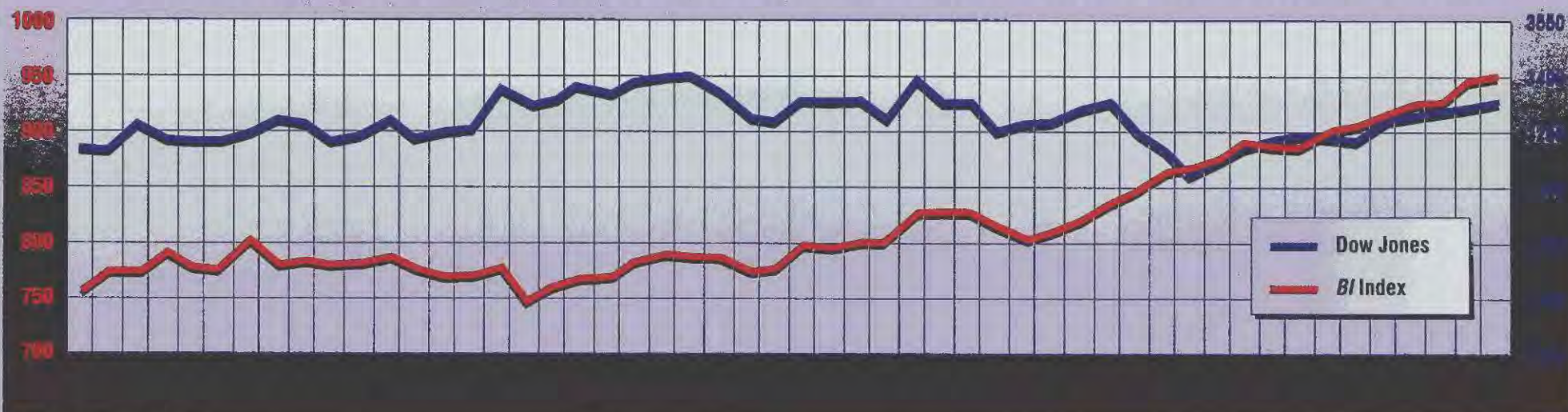
Deutsche Lufthansa A.G., which leased the plane from ContactAir, is responsible for paying passenger liabilities. Lufthansa has aviation liability coverage of 2.2 billion deutsche marks (\$1.36 billion), led by the Deutsche Luftpool and Lufthansa's captive.

Briefly noted

A Houston woman who won a \$27 million verdict against a Bristol-Myers Squibb Co. unit in a **silicone breast implant suit** is asking that the final ruling be delayed so lawyers can discuss out-of-court settlements in 200 similar suits against the company (*BI*, Jan. 4). . . . After severely restricting the use of silicone gel breast implants, the U.S. Food and Drug Administration is now seeking information to determine the safety of **saline breast implants** as well as testicular and penile implants. . . . Reinsurance intermediary Sullivan Payne Co. changed its name to **Sedgwick Payne Co.** Jan. 1, reflecting its ownership by the Sedgwick Group P.L.C. since 1985. . . . **Hilb, Rogal & Hamilton Co.** has filed a registration statement with the Securities and Exchange Commission for a public offering of up to 1.6 million shares of its common stock. . . . Philip Evans, chairman of English & American Insurance Holdings P.L.C., has resigned as chairman of the **London Insurance & Reinsurance Market Assn.** He is replaced by David Denning, general manager of Copenhagen Reinsurance Co. (U.K.) Ltd., who was vice chairman. . . . Marilee Roller has been named president of **Pacific Corinthian Life Insurance Co.**, the successor to First Capitol Life Insurance Co., which was seized by California regulators in May 1991. She previously was vp and controller of Pacific Mutual Life Insurance Co. . . . Only 75 people have become new members of **Lloyd's of London** this year, hardly offsetting the nearly 2,000 members expected to resign and 250 who have died. Lloyd's new chairman David Rowland expects the market's capacity this year to be between 8.5 billion pounds and 9 billion pounds (\$12.88 billion and \$13.64 billion) provided by about 20,000 names. . . . Chartwell Re Corp. will use the proceeds of a \$45 million private placement to reduce senior debt and increase the capital of its **Chartwell Reinsurance Co.** unit. . . . The Internal Revenue Service this week is expected to publish amendments to simplify its **pension non-discrimination rules**. Among other things, the amendments will ease non-discrimination testing requirements in mergers and acquisitions.

1992 in review

Business Insurance stock index & Dow Jones 30 Industrials:



GRAPHIC BY CHRIS ROY

Industry stock enjoy gains in '92

The *Business Insurance* Index posted a 25.5% gain during the year, rising to its high point of 951.4 on Dec. 23 from 758.4 on Jan. 3. The Dow Jones 30 Industrials posted only a 3.8% gain during the

same period, rising to 3326.2 from 3201.5.

The BI Index's low point of the year was 748.7 on April 24.

The BI Index tracks 83 commercial insurance industry stocks.

Health reform movement

Continued from page 3

support for federal intervention in health care delivery.

Eighty percent of respondents support some type of intervention, and the same percentage prefer federal over state initiatives. Part of the reason for preferring federal intervention is a desire for uniformity, Mr. Sperling said. Past rejections of any government intervention was mainly "a knee-jerk reaction," he said.

Surprisingly, many benefit managers supported global health care budgeting and caps on provider fees. Sixty-two percent favored a national cap for total private and public health care spending, with negotiated provider fees for all payers.

"Employers don't want providers to go unscathed," Mr. Sperling said.

However, benefit managers are not yet willing to give up on managed care. In fact, 62% said that it would have more impact on controlling costs than government price controls.

"They're saying, 'Give us a chance to let managed care work. We're not ready to abandon it yet,'" Mr. Sperling interpreted.

A surprising percentage—47%—said they would be willing to get out of health care administration altogether, indicating growing support for some sort of play-or-pay model, said Mr. Sperling.

Some 74% of benefit managers said that employers should be required to at least partially subsidize coverage for full-time employees.

This directly contradicts another recent employer survey by the National Assn. of Manufacturers that found 54.6% of employers op-

pose the play-or-pay approach (BI, Dec. 14). Among other survey findings, 74% of benefit managers oppose capping the tax deduction-companies receive for health care contributions, while 66% oppose making benefits above a certain level taxable to employees. Both findings correspond to the NAM survey.

Currently, employer-paid health care premiums or costs are not taxable income to employees, and employers can deduct these amounts as business expenses. Hewitt survey respondents included benefit managers from manufacturing, utility, academic, financial, medical and other non-manufacturing employers.

Copies of the survey are not publicly available.

vices, down 12.7%; Unitrin, down 8.8%; and Baldwin & Lyons Inc., down 8.2%. The most active issue was U.S. Healthcare, 5.6 million shares traded. The BI Index was down 1.7%; the NYSE Composite was down 1.5%; the Standard & Poor's 500 was down 1.5%; and the Dow Jones 30 Industrials dropped 1.5%.

British Issues

Jan. 7 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High-Low pence
Comm Union	636	NM	31.5	5.0	636-632
Genl Accident	576	NM	35.7	6.2	591-572
Gdn Royal Exch	170	NM	10.0	5.9	170-167
Royal	291	NM	7.0	2.4	291-277
Sun Alliance	353	NM	19.0	5.4	353-346
Brokers					
Bradstock	134	15.7	6.8	5.1	134-134
CE Heath	351	20.2	21.3	6.1	352-349
Hogg Group	172	16.2	10.9	6.3	172-171
JIB Group	178	13.6	10.0	5.6	178-165
Lloyd Thompson	259	20.9	7.5	2.9	259-255
Lowndes Lmbirt	323	12.6	16.8	5.2	323-321
PWS Holdings	55	6.3	5.3	9.6	55-52
Sedgwick Grp	175	13.9	8.0	4.6	182-175
Steel Brt Jones	223	10.9	17.7	7.9	223-217
Willis Corroon	199	12.7	17.6	8.8	201-192

Source: Philip Olsen, London

* Estimated

BI Industry Stock Report

JANUARY 4, 1993 THROUGH JANUARY 8, 1993

BROKERS																									
		Price	Weekly % change	Year to Date % change	Annual High	Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value			Price	Weekly % change	Year to Date % change	Annual High	Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
Accordia Inc.	NYS	21.00	-2.33	-2.33	22.25	15.13	67	0.36	1.71	15	7.01	3.00	Mutual Risk Mgmt. Ltd.	NYS	42.63	5.25	5.25	42.63	25.75	63	0.24	0.56	25	7.51	5.68
Alexander & Alexander	NYS	25.13	-5.19	-5.19	27.63	18.00	679	1.00	3.98	90	10.00	2.51	NAC Re Corp.	OTC	38.38	-5.25	-5.25	42.00	21.75	423	0.16	0.42	34	13.60	2.82
Gallagher Arthur J. & Co.	NYS	26.50	-6.19	-6.19	29.00	20.00	166	0.64	2.42	18	6.35	4.17	National Re Corp.	NYS	30.25	2.11	2.11	31.00	17.00	541	0.12	0.40	14	N/A	N/A
Hibb, Rogal & Hamilton	NYS	15.38	-1.60	-1.60	15.63	11.00	125	0.44	2.86	23	3.11	4.94	Navigators Group	OTC	31.50	-3.08	-3.08	48.25	28.50	15	0.00	0.00	22	15.69	2.01
Marsh & McLennan	NYS	89.00	-2.60	-2.60	94.50	71.25	800	2.68	3.01	21	14.40	6.18	Nobel Insurance LTD.	OTC	6.00	2.13	2.13	6.00	3.88	93	0.00	0.00	4	3.91	1.53
Poe & Associates	OTC	16.63	-0.75	-0.75	17.00	11.25	33	0.40	2.41	21	2.64	6.30	NWNL Companies	NYS	50.88	0.00	0.00	51.38	29.63	277	1.48	2.91	13	46.21	1.10
BROKERS	AVERAGE		-3.1	-3.1					2.3	27			Ohio Casualty Corp.	OTC	61.50	-2.57	-2.57	66.63	49.00	210	2.68	4.36	12	43.08	1.43
CONGLOMERATES & HOLDING COMPANIES																									
Berkley W.R. Corp.	OTC	42.75	-0.58	-0.58	47.75	31.00	330	0.36	0.84	16	23.51	1.82	Old Republic Int'l	NYS	25.00	0.50	0.50	26.50	17.50	364	0.40	1.60	8	18.63	1.34
Berkshire Hathaway Inc.	NYS	11500.0	-2.13	-2.13	11625.0	8575.0	1	0.00	0.00	64	6437.25	1.79	Orion Capital Corp.	NYS	34.25	-3.18	-3.18	35.88	23.19	215	0.80	2.34	7	28.62	1.20
ITT (Hartford Group)	NYS	70.13	-2.60	-2.60	72.13	55.50	1075	1.84	2.62	17	68.23	1.03	Phoenix RE Corp.	OTC	15.50	-1.59	-1.59	16.00	8.88	303	0.20	1.29	-22	13.32	1.16
Sears (Allstate)	NYS	44.50	-2.20	-2.20	48.00	37.75	3575	2.00	4.49	44	40.18	1.11	Provident Life	NYS	28.88	1.32	1.32	29.25	20.00	88	1.00	3.46	12	30.38	0.95
CONGLOMERATES	AVERAGE		-1.9	-1.9					2.0	35			Re Capital Corp.	ASE	16.50	0.00	0.00	16.50	12.25	7	0.24	1.45	29	16.88	0.98
INSURERS/REINSURERS																									
AEGON N.V.	NYS	41.25	-0.90	-0.90	42.75	33.00	95	2.68	6.50	7	34.06	1.21	Reliance Group Holdings	NYS	6.00	-2.04	-2.04	7.13	3.50	714	0.32	5.33	3	2.94	2.04
Aetna Life & Casualty	NYS	46.75	0.54	0.54	48.88	38.00	988	2.76	5.90	15	67.08	0.70	RLI Corp.	NYS	25.13	1.52	1.52	25.75	16.50	15	0.52	2.07	11	17.92	1.40
Allied Group Inc.	OTC	30.75	-3.15	-3.15	33.50	17.25	31	0.64	2.08	9	11.29	2.72	St. Paul Companies	NYS	76.50	-0.65	-0.65	80.75	66.50	326	2.72	3.56	11	59.79	1.28
Allmerica Prop. & Casualty	OTC	53.00	-4.95	-4.95	53.00	33.00	169	0.44	0.83	9	40.44	1.31	SAFECO Corp.	OTC	57.38	1.10	1.10	59.38	42.00	1090	1.64	2.86	15	35.37	1.62
American General	NYS	56.38	-1.10	-1.10	58.75	40.25	803	2.08	3.69	12	38.89	1.41	SCOR U.S. Corp.	NYS	17.25	-1.43	-1.43	19.50	13.13	9	0.28	1.62	20	14.39	1.20
American Heritage Life Ins.	NYS	29.00	-4.13	-4.13	32.50	24.75	7	0.84	2.90	14	16.51	1.76	Seibels Bruce Group	OTC	2.00	6.67	6.67	6.50	0.38	162	0.00	0.00	0	6.22	0.32
American Indemnity/Fin'l	OTC	6.38	6.25	6.25	9.25	4.75	1	0.08	1.25	3	14.43	0.44	Selective Ins. Group	OTC	21.75	-1.14	-1.14	23.50	16.25	42	1.12	5.15	9	20.22	1.08
American International	NYS	114.00	-1.72	-1.72	121.38	82.00	2120	0.56	0.49	15	54.21	2.10	Statesman Group Inc.	OTC	13.00	8.33	8.33	13.00	5.00	1264	0.05	0.38	6	6.71	1.94
Aon Corp.	NYS	52.13	-3.47	-3.47	54.00	39.75	431	1.68	3.22	13	27.17	1.92	Tokio Marine & Fire	OTC	47.50	-1.04	-1.04	52.63	32.25	30	0.00	0.00	95	70.93	0.67
Argonaut Group	OTC	28.50	-6.56	-6.56	31.25	24.75	127	0.84	2.95	8	21.70	1.31	Torchmark Corp.	NYS	56.75	0.00	0.00	58.38	36.00	399	1.04	1.83	16	14.87	3.82
AVEMCO Corp.	NYS	22.50	-3.74	-3.74	28.00	21.00	26	0.40	1.78	24	7.33	3.07	Transamerica	NYS	47.00	-2.08	-2.08	50.50	37.13	388	2.00	4.26	21	35.86	1.31
Baldwin & Lyons Inc.	OTC	33.50	-8.22	-8.22	36.50	25.00	0	0.48	1.43	8	30.85	1.09	Transatlantic Holdings	NYS	52.25	-6.90	-6.90	56.75	29.38	57	0.28	0.54	18	21.85	2.39
Chandler Insurance	OTC	4.75	0.00	0.00	7.63	3.88	3	0.00	0.00	22	8.63	0.55	Traveler's Corp.	NYS	26.25	-3.67	-3.67	27.63	17.13	1787	1.60	6.10	-15	43.85	0.60
Chubb Corp.	NYS	85.50	-3.80	-3.80	91.00	62.38	1322	1.60	1.87	14	40.67	2.10	Trenwick Group Inc.	OTC	40.25	-1.23	-1.23	42.13	25.00	234	0.80	1.99	16	23.87	1.69
CIGNA Corp.	NYS	57.88	-1.28	-1.28	60.88	47.13	997	3.04	5.25	11	81.73	0.71	United Fire & Casualty	OTC	40.00	-3.61	-3.61	43.00	29.66	5	1.00	2.50	17	28.47	1.40
CNA Financial Corp.	NYS	94.25	-3.83	-3.83	104.25	78.50	91	0.00	0.00	12	80.24	1.17	Unitrin	OTC	39.00	-8.77	-8.77	42.75	32.75	466	1.20	3.08	12	36.51	1.07
Continental Corp.	NYS	26.13	-2.79	-2.79	34.75	20.00	786	1.00	3.83	19	38.32	0.68	UNUM Corp.	NYS	53.88	1.65	1.65	54.38	32.00	574	0.64	1.19	15	21.83	2.47
EXEL Ltd.	NYS	44.88	-5.03	-5.03	47.63	32.13	1205	0.92	2.05	9	N/A	N/A	US Facilities Corp.	OTC	9.75	-2.50	-2.50	19.00	7.00	272	0.00	0.00	10	9.64	1.01
Fund American Corp.	NYS	72.00	0.00	0.00	74.50	62.50	94	0.00	0.00	17	81.85	0.88	USF&G Corp.	NYS	11.63	-6.06	-6.06	15.00	7.63	960	0.20	1.72	-22	10.29	1.13
Fremont General Corp.	OTC	34.38	-0.36	-0.36	35.00	17.00	384	1.00	2.91	8	25.62	1.34	USLI Corp.	NYS	18.75	4.17	4.17	20.38	16.75	48	1.00	5.33	26	29.80	0.63
Frontier Insurance Group	NYS	43.75	0.57	0.57	44.00	24.53	46	0.60	1.37	16	13.97	3.13	USLIFE Corp.	NYS	37.00	2.07	2.07	38.25	28.16	293	1.20	3.24	11	64.90	0.57
Gainsco Inc.	ASE	15.50	9.73	9.73	15.63	7.78	436	0.04	0.26	21	2.65	5.85	Washington National	NYS	22.63	-1.63	-1.63	23.63	16.63	144	1.08	4.77	18	30.27	0.75
General RE Corp.	NYS	114.38	-1.19	-1.19	123.50	77.50	944	1.80	1.57	16	46.07	2.48	Zenith National Ins.	NYS	20.50	3.80	3.80	20.50	14.50	71	1.00	4.88	14	14.81	1.38
Guaranty National Corp.	NYS	19.25	-2.53	-2.53	20.38	13.50	89	0.48	2.49	12	9.12	2.11	INSURERS/REINSURERS	AVERAGE		-0.8	-0.8				2.8	15.8			
Harleysville Group	OTC	28.00	-0.88	-0.88	28.25	17.75	145	0.64	2.29	12	16.77	1.67	HEALTH MAINTENANCE ORGANIZATIONS												
Hartford Steam Boiler	NYS	56.38	-2.38	-2.38	59.25	45.13	87	2.12	3.76	22	19.74	2.86	FHP International	OTC	19.00	-5.00	-5.00	23.00	12.50	620	0.00	0.00	19	9.61	1.98
Kemper Corp.	NYS	29.00	-2.11	-2.11	46.13	20.75	684	0.92	3.17	21	37.66	0.77	Pacificare Health Sys.	OTC	47.75	-6.37	-6.37	51.00	19.75	260	0.00	0.00	27	3.90	12.24
Lawrence Insurance Group	ASE	8.50	-1.45	-1.45	10.50	7.00	1	0.48	5.65	19	4.66	1.82	Safeguard Health Enter.	OTC	9.00	-7.69	-7.69	14.75	7.00	26	0.00	0.00	11	4.03	2.23
Liberty Corp.	NYS	29.00	2.65	2.65	32.88	20.13	319	0.56	1.93	11	18.43	1.57	Sierra Health Services	ASE	37.75	-12.72	-12.72	43.38	16.13	157	0.00	0.00	18	4.01	9.41
Lincoln National	NYS	71.00	-2.91	-2.91	76.13	50.50	373	3.04	4.28	11	58.92	1.21	United Healthcare Corp.	NYS	55.50	-2.42	-2.42	58.38	34.25	1244	0.01	0.02	37	4.68	11.86
Markel Corp.	OTC	32.50	4.00	4.00	32.50	20.75	66	0.00	0.00	8	15.44	2.10	United Medical Corp.	ASE	9.25	45.10	45.10	9.75	6.13	35	0.20	2.16	84	10.30	0.90
													U.S. Healthcare	OTC	44.75	0.28	0.28	51.25	29.00	5576	0.52	1.16	26	3.60	12.43
													HMOs	AVERAGE		1.6	1.6					0.4	28		
													ALL COMPANIES	AVERAGE		-1.0	-1.0					2.4	19		

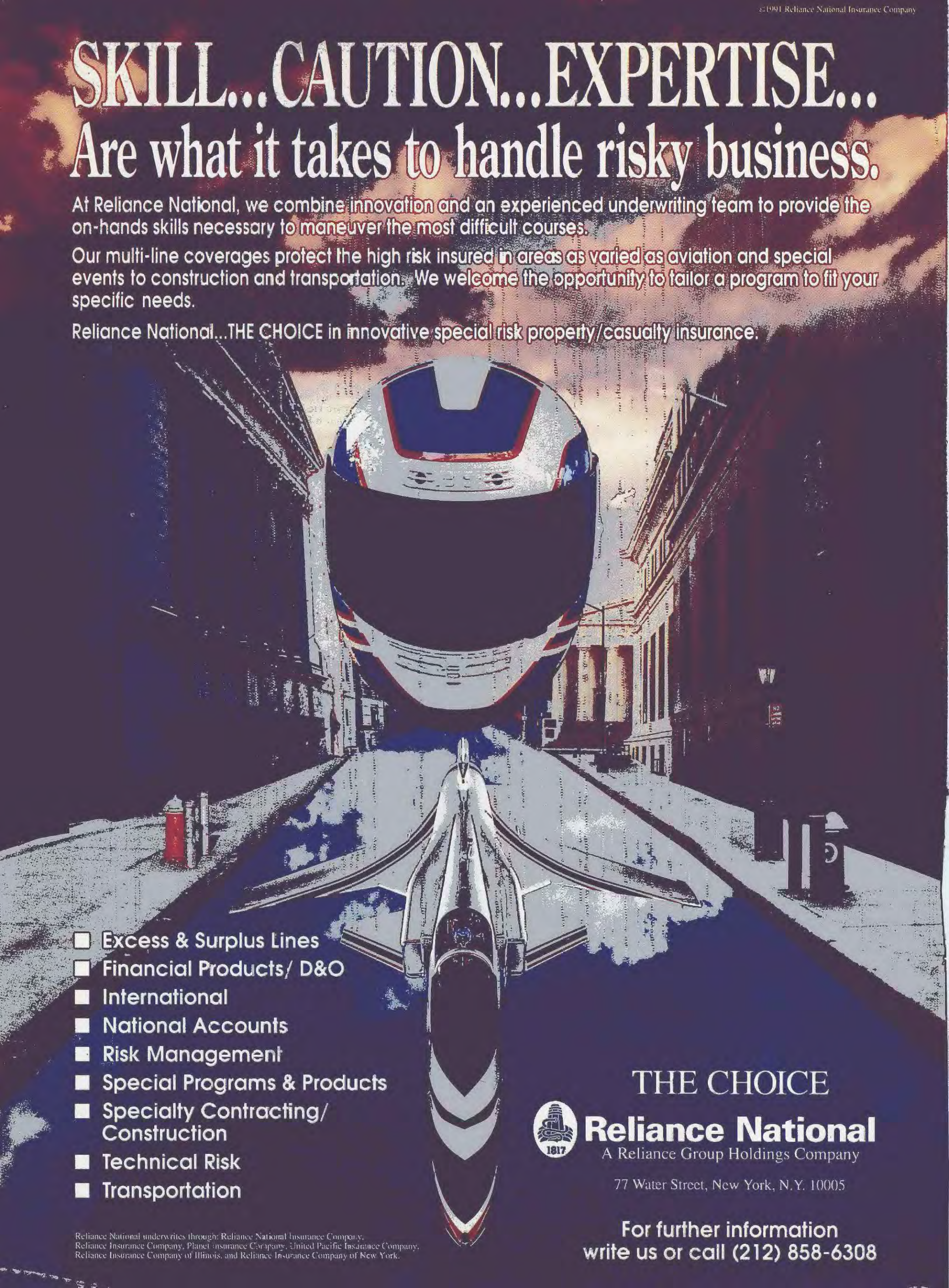
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- A surreal illustration of a high-speed train and a fighter jet on a city street. The train is in the background, and the jet is in the foreground, both facing the viewer. The street is lined with buildings and a fire hydrant is visible on the left.
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