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Update

Pan Am could sock PBGC with record plan terminations

WASHINGTON—The Pension Benefit Guaranty Corp. could face one of the biggest claims in its 16-year history if financially troubled Pan American World Airways Inc. terminates three underfunded pension plans.

The PBGC estimates the three plans, which cover about 38,000 workers and retirees, are underfunded by $800 million. Pan Am, which last week filed for protection from creditors under Chapter 11 of the Federal Bankruptcy Act, puts

Continued on next page

War tensions heat up market

Insurers restrict cover for Gulf area

By STACY SHAPIRO and MEG FLETCHER

War risk underwriters spent last week preparing for battle in the Middle East.

Insurers drastically increased aviation and marine war risk rates and considered exclusion zones, forcing airlines and shipowners either to pay inflated premiums or cease operations in the region.

As war nears, political risk coverage has virtually dried up for businesses in the Middle East. And most installations in the area are not covered for property damage caused by war, since only a handful of underwriters insure war risks on land (see story, page 46).

However, U.S. government officials may make war risk coverage available to American airlines and shipowners if commercial coverage becomes unavailable (see story, page 46).

The war risk market is changing daily as the Jan. 15 United Nations deadline for Iraq to pull out of Kuwait approaches.

Many war risk insurers are charging what are known as additional premiums—or a charge above the basic worldwide war risk premium—for aircraft, ships and cargo in the Middle East. These premium quotes for flights and voyages are changing with increasing frequency.

Premium increases since the New Year vary among policyholders. Rates now range from double the year-end figures to 1,500% higher.

Leading war risk underwriters, mainly underwriters in the London marine market who write both aviation hull and marine war risks, are reviewing the situation daily to decide what rates to quote.

"Every day that we get nearer to the U.N. deadline, the situation changes. . .day by day, hour by hour," said Richard Hilliard, managing director of London broker Leslie & Godwin Marine Ltd.

Rates "will change day by day as it gets to the crisis point," added John Parton, former chairman of the Institute of London Underwriters and assistant general manager for the marine division of Guardian Royal Exchange Assur-

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Market for D&O cover is firming

By MARK A. HOFMANN

CHICAGO—The directors and officers liability insurance market is beginning to harden, which may presage a turn in the overall property/casualty insurance market, according to a new study.

In fact, The Wyatt Co.'s most recent report of D&O experience found that "by the third quarter of 1990, two (survey) participants reported a premium increase for every participant reporting a premium decrease."

But, the report adds that the "magnitude of the premium increases were for the most part modest and in line with claim trends."

Wyatt also noted that the premium increases generally were not accompanied by reductions in policy limits or changes in deductibles or policy exclusions.

And, only a small percentage of the survey participants without D&O insurance said they lacked the coverage because it was unobtainable, though nearly half of those without D&O coverage said they did not buy the coverage because the price was too high.

The "1990 Wyatt Directors and Officers Liability Survey," which is scheduled to be released next week, also found that the fre-

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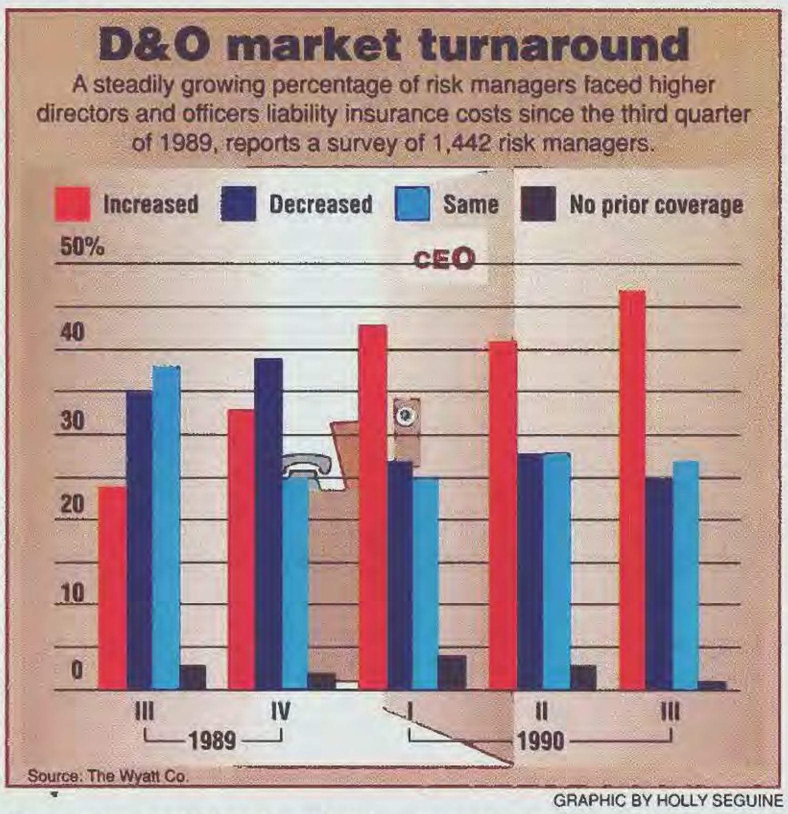

GRAPHIC BY HOLLY SEGUINE

New regulator freezes rates under Prop. 103

By JOANNE WOJCIK

LOS ANGELES—New California Insurance Commissioner John Garamendi is heating up the Proposition 103 controversy by freezing rates for all lines of coverage the law regulates and unveiling a Proposition 103 implementation plan that essentially would nullify his predecessor's.

While the rate freeze ordered by Mr. Garamendi does not repeal the hundreds of rate hikes approved just last week by outgoing Commissioner Roxani Gillespie, it does place all pending rate applications on hold.

And, Mr. Garamendi said his staff is studying whether he has the authority to rescind the already-approved rate increases.

In addition, Mr. Garamendi is proposing that the Insurance Department take into account insurers' investment income on capital not used to write business in California when determining insurers' allowable rate of return for ratemaking purposes.

This method would limit insurers' rates far more than the ratemaking procedures established by Ms. Gillespie.

Mr. Garamendi

In announcing his planned revamping of Proposition 103-related regulations a day after taking office last week, Mr. Garamendi also said he has created a new staff position to oversee the law's implementation and has hired two lawyers to represent the California Insurance Department in Proposition 103-related matters.

Insurer groups are blasting Mr. Garamendi's plans for implement-

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Congress tackles familiar benefit issues

By JERRY GEISEL

WASHINGTON—The new Congress is facing many of the same old benefit issues.

Legislators this session, as in previous years, will grapple with legislation to require employers to offer health care coverage to employees and other proposals to increase access to health care.

Legislators and their staffs also are expected to look for new ways to expand COBRA's health care continuation provisions. One idea that may surface: requiring employers to offer COBRA coverage to early retirees until they are eligible for Medicare.

Business groups, though, intend to launch their own COBRA offensive. A new business coalition will press legislators to ease COBRA burdens by allowing employers, among other things, to boost premiums they can charge COBRA beneficiaries.

Next week: Congress' risk management agenda

In addition, revamped proposals are expected to surface in Congress—as a way to reduce the federal budget deficit—to tax employees on a portion of employer-provided health care coverage benefits.

And, undeterred by last year's setback, backers of mandatory family leave programs are ready to launch a new battle to win congressional approval of a proposal earlier vetoed by President Bush.

Another employee benefit issue on the congressional agenda again this year will be how to revamp the Pension Benefit Guaranty Corp.'s termination insurance program to better protect the PBGC from big pension claims.

In addition, pension enforcement legislation is expected to be introduced that would beef up penalties for employers that violate the Employee Retirement Income Security Act of 1974.

At the same time, business

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Update

Pan Am pension claim looms

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the figure at $490 million.

The bankruptcy filing is "of substantial concern" to the pension agency, said PBGC Executive Director James B. Lockhart III.

Despite extensive discussions, the agency and the airline have not decided whether to terminate the plans, PBGC officials say.

The PBGC has security—in the form of stock Pan Am has pledged in its Air Shuttle unit—for $53 million of unpaid pension contributions and is prepared to assert a claim for the entire underfunding in U.S. Bankruptcy Court as a contingent creditor.

The agency also intends to file a claim in U.S. Bankruptcy Court seeking to recover $700 million in unfunded pension liabilities that Continental Airlines Holdings Inc. pledged but did not pay on behalf of its Eastern Airlines Inc. unit. Those plans were terminated in October (*BI*, Dec. 10, 1990).

Both Continental and Eastern have filed for bankruptcy.

RIMS seeks no-fault auto cover

NEW YORK—The Risk & Insurance Management Society Inc. is strongly advocating nationwide enactment of no-fault automobile insurance laws with well-defined verbal thresholds to hold down auto coverage costs.

Personal lines "auto insurance and the debate surrounding it has affected enough of our members that we felt we had to get involved," explained Paul Brown, assistant director of governmental affairs for RIMS and author of a nine-page report outlining RIMS' proposal that has been distributed to state insurance commissioners and insurer associations.

"Prop. 103-type initiatives affect all lines of insurance. Forcing rate rollbacks, which requires insurers to write business at a loss, has a long-run effect on insurer solvency," Mr. Brown said (see story, page 1).

"After looking thoroughly at various tort systems, California's Proposition 103, pure no-fault and combination systems, we have concluded that the key to holding down auto insurance costs is to eliminate litigation costs, and the best way to do that is to implement no-fault insurance with defined verbal thresholds," he said.

No-fault auto insurance laws with verbal threshold laws allow motorists to sue only if they suffer injuries specified by law. Currently, states with no-fault laws containing verbal thresholds allow motorists to sue in cases of serious injuries. However, judges or juries often are required to decide what injuries are serious, "which defeats the purpose" of the law, Mr. Brown said.

The RIMS report says no-fault systems with only monetary thresholds, which permit drivers to sue when medical costs go beyond an established amount, are ineffective. A monetary limit "established in 1991 will be irrelevant in 1996, and people will be forced to sue on that basis," Mr. Brown said.

American Universal insolvent

PROVIDENCE, R.I.—Rhode Island's guaranty fund could assess property/casualty insurers in the state up to $19 million this year to cover claims against American Universal Insurance Co., which was declared insolvent last week by a state Superior Court judge.

"A number was never revealed in court" on the size of the insolvency, said Charles Kwolek, associate director and superintendent of insurance for the Rhode Island Department of Business Regulation.

Rhode Island law allows assessing insurers up to 2% of net direct written premiums, which would amount to $18 million to $19 million, Mr. Kwolek said.

American Universal wrote $93 million in gross premiums in 1989, including nearly $10 million of workers compensation, $7.7 million of commercial multiperil and nearly $6 million of ocean and inland marine coverage. However, the insurer mostly wrote personal lines coverage. The insurer, a unit of New York-based Resolute Holdings Inc., was licensed in Washington, D.C., and all states except California, Hawaii, Massachusetts and New York.

One factor leading to American Universal's insolvency was the default of a $50 million promissory note held by the insurer that was secured by real estate, Mr. Kwolek said.

In 1988, the Rhode Island Superior Court placed both Providence, R.I.-based American Universal and subsidiary Canadian Universal Insurance Co. Inc. into temporary receivership because of questionable investment practices but lifted the receivership shortly afterward (*BI*, Oct. 17, 1988; Oct. 3, 1988).

Mr. Kwolek said that department may also seek a declaration that Canadian Universal is insolvent.

Cigarette liability suit appealed

NEWARK, N.J.—The U.S. Supreme Court is being asked to review a ruling that health warnings on cigarette packages protect tobacco companies from certain personal injury claims.

Attorneys for the estate of Antonio Cipollone—whose wife, Rose, died of lung cancer in 1984—are asking the Supreme Court to overturn a 3rd U.S. Circuit Court of Appeals ruling that failure-to-warn claims are barred for injuries occurring after 1966, when federal law required health warnings on cigarette packages.

Mr. Cipollone's lawyers argue that the ruling conflicts with a 1990 New Jersey Supreme Court ruling in another case that health warnings do not protect tobacco companies (*BI*, July 30, 1990).

A federal jury awarded Mr. Cipollone $400,000 in damages in 1988 after finding that Durham, N.C.-based tobacco maker Liggett Group breached an express warranty that smoking is safe. The 3rd Circuit—which had barred the post-1966 failure-to-warn claims in a pre-trial ruling—later threw out the award on technical grounds and ordered a new trial (*BI*, Jan. 15, 1990).

Retrial of the suit—which also names New York-based Philip Morris Inc. and Lorillard Inc.—has been postponed for several reasons, including the petition for Supreme Court review, said Marc Z. Edell, a lawyer in Short Hills, N.J., representing Mr. Cipollone.

Updates continued on page 46

Eagle-Picher bankrupt, asbestos claims frozen

By STACY ADLER

CINCINNATI—Having exhausted nearly all its insurance and facing some 70,000 asbestos personal injury claims, Eagle-Picher Industries Inc. filed for bankruptcy last week.

Ironically, the former asbestos manufacturer's filing for reorganization under Chapter 11 of the U.S. Bankruptcy Code will derail a federal judge's efforts to create a nationwide class-action suit for all claims against the company. Eagle-Picher had long favored such a suit to reduce its defense costs.

The bankruptcy action, filed Jan. 7 in federal court in Cincinnati, where Eagle-Picher is based, will stay all claims against the company and prevent it from making any payments to victims, even for settlements already negotiated. Claimants will be treated like all other creditors during the reorganization process, said a company spokesman.

The action will not, however, prevent Eagle-Picher from pursuing its fraud suit against three plaintiffs' attorneys who had tried to force the company into involuntary bankruptcy only last month (*BI*, Dec. 24, 1990).

"We will continue with our action against the attorneys," the spokesman said.

Plaintiffs' attorneys tried to force the company into involuntary bankruptcy because they believed asbestos claimants would fare better in bankruptcy proceedings than they would in the consolidated class-action asbestos suit before U.S. District Judge Jack B. Weinstein of New York (*BI*, Dec. 17, 1990).

"Claimants will have the same rights as other creditors in the bankruptcy. In Judge Weinstein's courtroom, they had fewer rights than the stockholders," said Ronald L. Motley, a Charleston, S.C., lawyer and one of the three plaintiffs' attorneys named in the suit.

Eagle-Picher was "compelled" to file for bankruptcy on its own when the proposed sale of a division fell through, leaving the company without money to pay asbestos victims, said Chairman Thomas E. Petry.

Asbestos settlements have exhausted $165 million in coverage, leaving only $10 million in insurance from Lexington Insurance Co.

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Granddaughter's DES suit raises liability concerns

By STACY ADLER

ALBANY, N.Y.—A product liability lawsuit filed by the granddaughter of a woman who took the anti-miscarriage drug DES could set a precedent that would greatly expand liability for all types of manufacturers if the case is allowed to proceed to trial.

Several New York Court of Appeals judges last week expressed that concern in hearing arguments on whether to allow a suit against six drug companies to proceed to trial.

Allowing a granddaughter to sue for injuries that allegedly resulted because her grandmother took DES 30 years ago could open the door to a plethora of suits against all types of manufacturers.

"We have to make law for everybody," observed Associate Judge Vito J. Titone. "When does (a product manufacturer's liability) stop?"

Expanding manufacturers' liability to granddaughters of the women who took the widely used anti-miscarriage drug would "create a new cause of action," a matter better left to legislators, Judge Titone suggested.

Associate Judge Judith S. Kaye agreed: "Any law we write will be quickly applied to other products and other situations."

And, she asked: "How many future generations" will be able to sue DES manufacturers?

The judges made their remarks during oral arguments in a case brought by 7-year-old Karen Enright. She alleges that her cerebral palsy and daily seizures resulted from a chain of events that began when her grandmother ingested the anti-miscarriage drug diethylstilbestrol before the girl's mother was born in 1960.

In her 1987 suit, the girl alleges that "the ingestion of DES by her grandmother set in motion an unbroken chain of causation, including injuries to her mother, Patricia, which, in turn, produced Karen's devastating injuries."

The suit names as defendants Abbott Laboratories; Eli Lilly & Co.; Merck & Co. Inc.; RXDC Inc., formerly known as Rexall Corp.; E.R. Squibb & Sons Inc.; and The Upjohn Co.

It charges the drug manufacturers, under the so-called market

Continued on page 4

RIMS taps Ricci for executive post

By JUDY GREENWALD

NEW YORK—A retired official of a CIGNA Corp. subsidiary will become executive director of the Risk & Insurance Management Society Inc. effective April 1.

Eugene U. Ricci, 59, who was president of Philadelphia-based CIGNA Service Co. from 1983 until his retirement in October, will succeed Ron Judd, who is retiring.

"It's exciting," Mr. Ricci said. "I come from the insurance business, and these are people who have a great deal of impact on the insurance business, on how it's delivered and on how it's tailored and

Mr. Ricci

on how the financial instruments are designed."

Describing RIMS as a "major force" in the industry, Mr. Ricci added: "To be working with them has got to be exciting, especially if you're coming from a part of the industry."

Noting that his retirement has been brief, Mr. Ricci said: "I enjoy being busy and working, and I think it'll be a long time before I retire permanently."

Mr. Ricci said he plans to visit with Mr. Judd before assuming his duties with RIMS and will work side by side with him for two months beginning in April, until Mr. Judd retires in June.

Mr. Judd has served as executive director of RIMS and its predecessor organization, the American Society of Insurance Management, for 23½ years.

Cheri Hawkins, president of RIMS and director of insurance at Weyerhaeuser Co. in Tacoma, Wash., praised Mr. Ricci. "The (RIMS) executive counsel is very

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Inside

- This week's editorial applauds an employer coalition to fight unreasonable COBRA expenses. **PAGE 8**
- In Speaking Out, Douglas Peters of Blue Cross & Blue Shield Assn. offers several steps for improving the delivery of health care services. **PAGE 27**
- Most of the claims from last week's train accident in London are expected to fall under British Rail's self-insured retention. **PAGE 39**
- Satellite underwriters may have to pay the largest single claim ever—$170 million—for the loss of a Japanese satellite in orbit. **PAGE 39**

Departments

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Insurer solvency regulation

Dingell's bill will address reinsurance, surplus lines

By KATHRYN J. McINTYRE

NEW YORK—Legislation providing for a federal role in insurance regulation, to be introduced by Rep. John Dingell D-Mich., probably will address unauthorized reinsurers and surplus lines markets, a top congressional aide says.

"These are in effect unregulated markets, international in scope," said John B. Chesson during a panel discussion at a joint industry conference last week in New York. Mr. Chesson is counsel to Rep. Dingell's Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce.

"If there is one issue you will see our committee deal with, it will be reinsurance, surplus lines insurance, particularly when it is provided by unauthorized, offshore insurers and reinsurers," Mr. Chesson said.

Although there is not a draft or outline of a bill yet, Mr. Chesson said he expects it will call for "some sort of participatory, regulatory organization to get the best elements of state regulation and industry expertise."

Regulators and industry representatives, for example, could be asked "to join together to set rules and monitor and enforce them," he said.

"Any proposal Rep. Dingell puts together will include the states," Mr. Chesson stressed.

Rep. Dingell "feels we need a federal legislative proposal to create an effective national solvency regulatory system," Mr. Chesson said.

By "national," Mr. Chesson said, "I think what you might see is some sort of federal empowerment as opposed to a direct federal hand."

Mr. Chesson said Rep. Dingell is seeking:

- Adequate standards for licensing, capitalization, operations and investments by insurance companies.
- Accurate and reliable information from insurers to determine how standards are operating.
- Monitoring of insurers by "competent, able, willing and motivated" people.
- Enforcement of rules.
- Federal criminal sanctions against those who "loot an insurance company."

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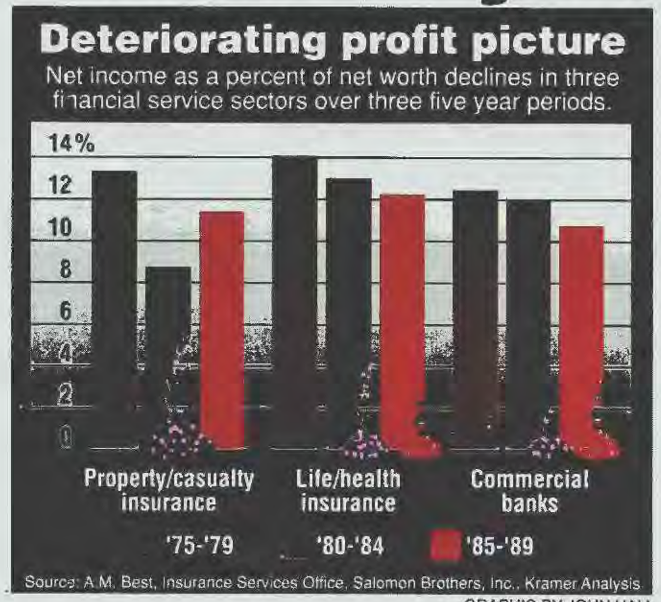
Insolvency threat doubted



GRAPHIC BY JOHN HALL

Study says finances adequate

By KATHRYN J. McINTYRE

NEW YORK—There is no evidence that the insurance industry "faces a systemic solvency crisis," and comparing its finances to the early stages of the thrift crisis is "analytically bankrupt," a new study concludes.

Some life insurers, however, face greater threats to their solvency than property/casualty insurers, says the study by Orin Kramer, a New York-based financial industry consultant.

Nevertheless, the failure of a major life insurer "is unlikely," says Mr. Kramer, while the failure of a major property/casualty insurer is "extremely unlikely," barring extraordinary catastrophe losses.

Mr. Kramer defines a major company as one of the top dozen property/casualty insurers or life insurers, he said in an interview.

"Except under the most extreme scenarios, whatever solvency threat exists is limited to the weaker players," the report, "Rating the Risks," says.

Even the weakest 20% of life insurers could lose

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Insurer touts McCarran repeal

By DOUGLAS McLEOD

NEW YORK—Repeal of the insurance industry's limited antitrust exemption contained in the McCarran-Ferguson Act may not be such a bad idea, one insurance company executive says.

In a marked departure from the widely held insurance industry view on McCarran-Ferguson reform, CIGNA Corp. Executive Vp Caleb L. Fowler suggested that scrapping the industry's antitrust exemption would benefit insurers by eliminating what the public sees as an unfair advantage.

"McCarran is a burden we can no longer afford," Mr. Fowler said, explaining that the exemption makes it appear that "the industry has something to hide" when in fact it does not.

"We think we are an extremely competitive industry, while the public perception is almost the reverse," Mr. Fowler told an audience last week at the joint annual meetings of the Insurance Services Office Inc., the Insurance Information Institute and the American Insurance Assn.

Mr. Fowler made his remarks as part of an insurance industry panel discussing problems confronting the industry, including state regulatory problems, the condition of the property/casualty insurance market, rate rollback initiatives, and pollution liability and tort reform.

Other panelists were Robert Clements, chairman of Marsh & McLennan Inc. of New York; Maurice R. Greenberg, chairman of New York-based American International Group Inc.; Donald R. Frahm, chairman of Hartford Insurance Group of Hartford, Conn.; and D. Richard McFerson, president of Nationwide Insurance Cos. of Columbus, Ohio.

Along with McCarran-Ferguson repeal, Mr. Fowler suggested several other steps that would improve insurers' ability to deliver products more cheaply and efficiently to commercial lines policyholders. These included:

- Eliminating guaranty fund protection for commercial risks and concentrating regulators' resources on protecting the small policyholders who most need the protection.

"The majority of commercial premiums are inflated by regulation," Mr. Fowler said.

- Setting up a national administration system for guaranty funds, which would allow a more efficient response to the insolvency of a large multistate insurer.

Mr. Fowler also called on regulators to move faster to identify and "weed out" weak insurers.

- Developing a system of unitary licensing for insurers

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Product liability payouts to be told to federal agency

By COLLEEN JOHNSON

A new law requiring manufacturers to notify a federal agency after settling or losing only a handful of product liability cases probably will not lead to higher product liability insurance rates, many industry observers predict.

The information on product liability litigation reported to the agency will not be publicly available and therefore is not expected to trigger additional litigation.

However, some observers say the new law will discourage some manufacturers from settling nuisance cases and that insurance rates could rise because of the resulting increase in litigation costs.

But most expect manufacturers to continue to settle product liability litigation rather than risk higher court awards even if it means reporting the cases, according to attorneys, insurers and brokers.

Under the Consumer Product Safety Improvement Act of 1990, which President Bush signed Nov. 16, manufacturers must report to the Consumer Product Safety Commission if they lose or settle three product liability suits that allege the same product caused death or "grievous bodily injury" within a two-year period.

Section 37 of the act establishes that the first two-year period began Jan. 1 and that subsequent periods will begin on the first day of every odd-numbered year.

For example, manufacturers would have to report to the CPSC after settling or losing three product liability cases in 1991 and 1992. However, if a manufacturer resolves no cases in 1991 but a total of three or more cases during 1992 and 1993, it would not have to report to the CPSC.

Manufacturers are subject to a $1.25 million fine for failing to re-

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Settlement collapses in attorney fee dispute

By STACY ADLER

LOS ANGELES—Settlement negotiations between Fireman's Fund Insurance Co. and Allstate Insurance Co. and an attorney accused by the insurers of charging excessive fees have fallen through.

Business Insurance incorrectly reported in its Dec. 24 issue that the Los Angeles-based law firm of Rucker & Clarkson had agreed to pay $400,000 as part of a "tentative settlement" with the insurers.

In fact, the "tentative settlement" was between Robert Clarkson, currently a named partner with Rucker & Clarkson, individually and the two insurers. The tentative agreement would have settled claims of alleged wrongdoing by Mr. Clarkson before the formation of Rucker & Clarkson.

However, terms of the "tentative settlement" provided that Mr. Clarkson, the law firm of Rucker & Clarkson and Fred Rucker, the firm's other named partner, would be released from liability, according to Fireman's Fund attorney Richard Edwards of McNitt, Edwards & Schraner in San Diego and Allstate attorney David Bocan of Denenberg, Tuffley, Bocan, Jamieson, Black, Hopkins & Ewald in San Francisco.

Dave Doyle, Mr. Clarkson's attorney with Baker & McKenzie in San Diego, also confirmed there had been a tentative settlement.

Under the tentative settlement, Mr. Clarkson's legal malpractice insurers were to pay $400,000 to Fireman's Fund and Allstate, the attorneys say. And, Mr. Clarkson agreed to help the insurers litigate against other attorneys accused of charging excessive fees, the attorneys explained.

Mr. Clarkson has been named individually in a massive fraud lawsuit filed by Fireman's Fund and Allstate in U.S. District Court in San Diego. The lawsuit, which alleges violations of the Racketeer Influenced and Corrupt Organizations Act, accuses 25 people of being part of a network of attorneys known as the "Alliance" that conspired to inflate legal bills in lawsuits during the 1980s (*BI*, April 2, 1990).

Neither Mr. Rucker nor the law firm of Rucker & Clarkson are named in the insurers' lawsuit.

Mr. Clarkson denies any liability regarding the charges in the Fireman's Fund and Allstate lawsuit. The suit seeks $6.3 million in compensatory damages, which could be trebled under RICO provisions.

Mr. Rucker said he was not familiar with the settlement negotiations. However, he said "there has been no adjudication of any wrongdoing nor any court-mandated payments."

Messrs. Edwards, Bocan and Doyle agree there was a tentative agreement between the insurers and Mr. Clarkson, though a formal document was never written.

"My understanding was that (the agreement) was not conditional on (Mr. Clarkson's malpractice) insurers paying," Mr. Bocan said.

"In my mind, the agreement was not conditional," Mr. Edwards agreed.

However, Mr. Doyle said that it was "always understood where the funds were coming from and that we had to get the (malpractice insurers') approval."

The deal fell apart when Mr. Doyle informed Mr. Edwards that no payment was forthcoming, Mr. Edwards said.

Mr. Doyle agreed that the deal fell apart with the "absence of funding from the insurance carriers." He would not name the insurance companies.

In addition, Mr. Doyle pointed

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DES suit

Continued from page 2

share theory of liability, with negligence, breach of warranty, strict liability and fraud. Under the market share theory, all manufacturers of a defective product are held liable in proportion to their share of the market.

New York Supreme Court Judge Irad S. Ingraham dismissed the suit in 1988, ruling "there is no legal precedent for such liability."

An appellate court reversed the decision, ruling that the girl can seek to hold the manufacturers strictly liable.

In its June 5, 1990, ruling, the appellate court said there is a policy in the New York courts and Legislature "favoring a remedy for DES-caused injuries."

The manufacturers are appealing to the New York Court of Appeals, the state's highest court.

The girl's suit is unique because she does not claim that she suffered genetic defects—passed down the maternal line—as a result of her grandmother's ingestion of DES.

Rather, she blames her medical problems on the injuries her mother's reproductive organs suffered as a result of her exposure to DES while in the womb. Those injuries caused the girl to be born prematurely with cerebral palsy and grand mal seizures, she alleges.

An unrelated case now pending in federal court in Maryland is the first to challenge whether DES causes genetic damage (*BI*, March 19, 1990).

During oral arguments last week before the New York Court of Appeals, manufacturer attorney John L. McGoldrick of McCarter & English in Newark, N.J., urged the court to "draw a line" and limit manufacturers' liability to the daughters of women who took DES.

Allowing Karen Enright to sue manufacturers would open the door for a wide range of other product liability lawsuits, said Mr. McGoldrick, who represents Abbott, Lilly, Merck, RXDC and Upjohn.

For example, he asked the court, if a woman's uterus is punctured in a car accident caused by defective brakes, could a child who is born deformed as a result sue the brake manufacturer? And, could future descendants sue the manufacturer?

Mr. McGoldrick urged the court to limit liability to the daughters of women who took DES.

Allowing Karen Enright to sue the DES manufacturers would create a precedent that would "sweep into it a whole range of cases," Mr. McGoldrick asserted.

Mr. McGoldrick focused on a recent decision by the New York Court of Appeals that denied a claim brought by the daughter of a woman whose uterus was punctured during an abortion four years before the plaintiff's birth. The daughter sued the mother's doctor, claiming that the physician's alleged malpractice caused her to be born with brain damage.

The court denied the child's claim, saying: "The recognition of a cause of action under the circumstances requires the extension of traditional tort concepts beyond manageable bounds."

Mr. McGoldrick argued that the child's claim against her mother's doctor in the abortion case and Karen Enright's claim against the DES manufacturers are not significantly different. Like that malpractice claim, Karen Enright's strict liability claim should be denied, he argued.

Leonard L. Finz, a New York lawyer representing Karen Enright, urged the court to allow her suit.

While in medical malpractice the doctor's duty to warn is only to the patient, a manufacturer's duty to warn is much broader, he said. "The manufacturer's duty (to warn about the dangers of DES) is not fixed; it doesn't fit in a breadbox."

Marketers "knew or should have known (that the drug) would harm the fetus and/or cause damage to reproductive systems of the fetus," he charged.

Furthermore, allowing "DES daughters" to recover for their injuries while denying recovery to granddaughters would be inequitable, he said.

Karen Enright and other granddaughters of women who took DES are part of the same "identifiable class" of victims as DES daughters, and that entire group of victims is "intertwined, interwoven and inseparable," he said.

"To close the door on Karen would be to make an exception to the rule," Mr. Finz said.

Mr. Finz focused on a recent decision by the New York Court of Appeals allowing DES daughters to sue all DES manufacturers when they could not determine which company made the drug their mothers ingested (*BI*, April 10, 1989).

In adopting the so-called market share theory of liability, the New York Court of Appeals "gave special remedy to a special group of victims," Mr. Finz said.

The court should now "find a special remedy" for Karen Enright or find that the girl is part of the same class of victims as the DES daughters and allow her to sue the manufacturers of DES ingested by her grandmother, Mr. Finz said. "These victims should have their day in court." ■

Changes in *BI* staff announced

Jeanne M. Bartels has been promoted to assistant managing editor/graphics of *Business Insurance* in Chicago, announced Associate Publisher and Editor Kathryn J. McIntyre.

In addition, Karen Armaganian has joined *BI's* Chicago staff as an editorial assistant.

Ms. Bartels, 30, is responsible for the layout and design of *Business Insurance*. She joined *BI* in June 1989 as graphics editor, her most recent position. Prior to that, she was assistant graphics editor at Advertising Age, a sister publication of *BI*. Both are owned by Chicago-based Crain Communications Inc.

Ms. Bartels received her bachelor

Ms. Bartels

Ms. Armaganian

of fine arts degree in advertising design and illustration from Northern Arizona University in Flagstaff in 1983.

In her new post, Ms. Armaganian, 22, will help compile and edit the directories that appear regularly in *BI*.

Ms. Armaganian previously worked as a public relations coordinator in Racine, Wis., and interned with Reader's Digest in Pleasantville, N.Y. She received a bachelor of arts degree in journalism and psychology from the University of Wisconsin at Madison in 1990.

Ms. Armaganian succeeds Sara Harty, who is now a staff reporter with *BI*.

Ms. Bartels can be reached at 312-649-5412. Ms. Armaganian can be reached at 312-280-3195. ■

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AT&T offers employees free legal services

Benefit beat

American Telephone & Telegraph Co. is now offering about 270,000 employees nationwide prepaid legal services through two group legal providers, a benefit that will cost the communications conglomerate more than $19 million annually.

Under a 1989 collective bargaining agreement, more than 150,000 members of the Communications Workers of America and the International Brotherhood of Electrical Workers and their dependents now have free access to most basic legal services through Cleveland-based Hyatt Legal Plans Inc. (*BI*, June 5, 1989).

Services are offered to another 120,000 non-union workers and their dependents through Midwest Legal Services Inc. of Des Moines, Iowa.

Both plans took effect Jan. 1. Monthly costs are expected to be about $6 per employee, or a total of about $19.4 million annually, said a spokeswoman for New York-based AT&T.

Under the Hyatt prepaid legal plan, union employees, spouses and dependents have access to attorneys for unlimited consultation on the preparation of wills, deeds and notes; the purchase or sale of a primary residence; separation and divorce; and debt collection defense, among other things.

Non-union workers have a similar package, the spokeswoman said.

Reservists' benefits

More than 50% of employers still provide or would continue to provide health care coverage to military reservists called to active duty in the Persian Gulf and their dependents, a survey reports.

Fifty-four percent, or 93, of the 172 companies that responded to this question in the Buck Consultants Inc. survey said they are extending or would extend the coverage to reservists called to active duty, as well as to the reservists' dependents.

Employers are not legally required to continue health insurance for active reservists or their dependents, who are covered by federal programs (*BI*, Sept. 10, 1990).

Three-quarters of the responding companies said employees have been called to active duty in Operation Desert Shield. Overall 95% of the respondents said they employ reservists.

The survey also found that 15%, or 26, of survey respondents offer or would offer health care benefits only to active reservists' dependents, and 1%, or two, continued or would continue to extend coverage only to the active reservists.

Twenty-eight percent, or 48, of the respondents said they are offering or would offer active reservists and their dependents only coverage as required by the Consolidated Omnibus Budget Reconciliation Act of 1986. COBRA lets an employer charge employees up to 102% of the group rate for coverage.

Another 2% said they did not provide coverage in first place.

The survey also found that:

- 59% are continuing or would continue to provide dependents with life insurance benefits.
- 50% continue or would continue to provide active reservists and dependents dental coverage.
- 31% are continuing or would continue to provide long-term disability coverage.
- 26% are still providing or would provide short-term disability coverage.

All 182 employers taking part in the survey responded to a question about active reservists' pay. Of those, 77%, or 140, continue or would continue to pay those reservists either their full salary or a portion of it.

Eighty-seven of the respondents answered a question on employee health care contributions:

- 53% continue to require or would require employee coverage contributions.
- 8% waive or would waive the contributions.
- 39% did not require employee contributions in the first place.

A copy of "Operation Desert Shield—A Survey of Employer Benefit and Salary Practices" is available for $50 from Carolee Martin, Manager of Marketing, Buck Consultants Inc., 500 Plaza Drive, Secaucus, N.J. 07096.

Hospital price manual

In an effort to help area employers control health care costs, a St. Louis business coalition is asking all regional acute care hospitals to disclose their non-discounted prices for more than 200 selected inpatient services for non-catastrophic cases.

The St. Louis Area Business Health Coalition last month requested retail price disclosures for 205 of the 490 diagnostic related groups as defined by Medicare from 40 area hospitals as part of its Prospective Pricing Initiative project. Included are prices for childbirth, setting broken bones and performing appendectomies.

Such information will help regional employers and insurers to, for example, evaluate the cost-effectiveness of managed care arrangements and compare prices among hospitals in an effort to develop a reasonable and customary fee schedule for inpatient services, explained James C. Stutz, executive director of the business group.

"The main goal of this project is to create tools for employers to better understand health care pricing and to establish a foundation for pricing reform," he said.

"Currently, there is a lot of unexplained price variation for identical services," he said. For example, based on 1988 data, a natural birth without complications cost between $1,644 and $3,807 at area hospitals, and Caesarean section births cost from $3,381 to $6,896.

The manual also will help employers "effectively communicate to employees what hospital care costs," Mr. Stutz said.

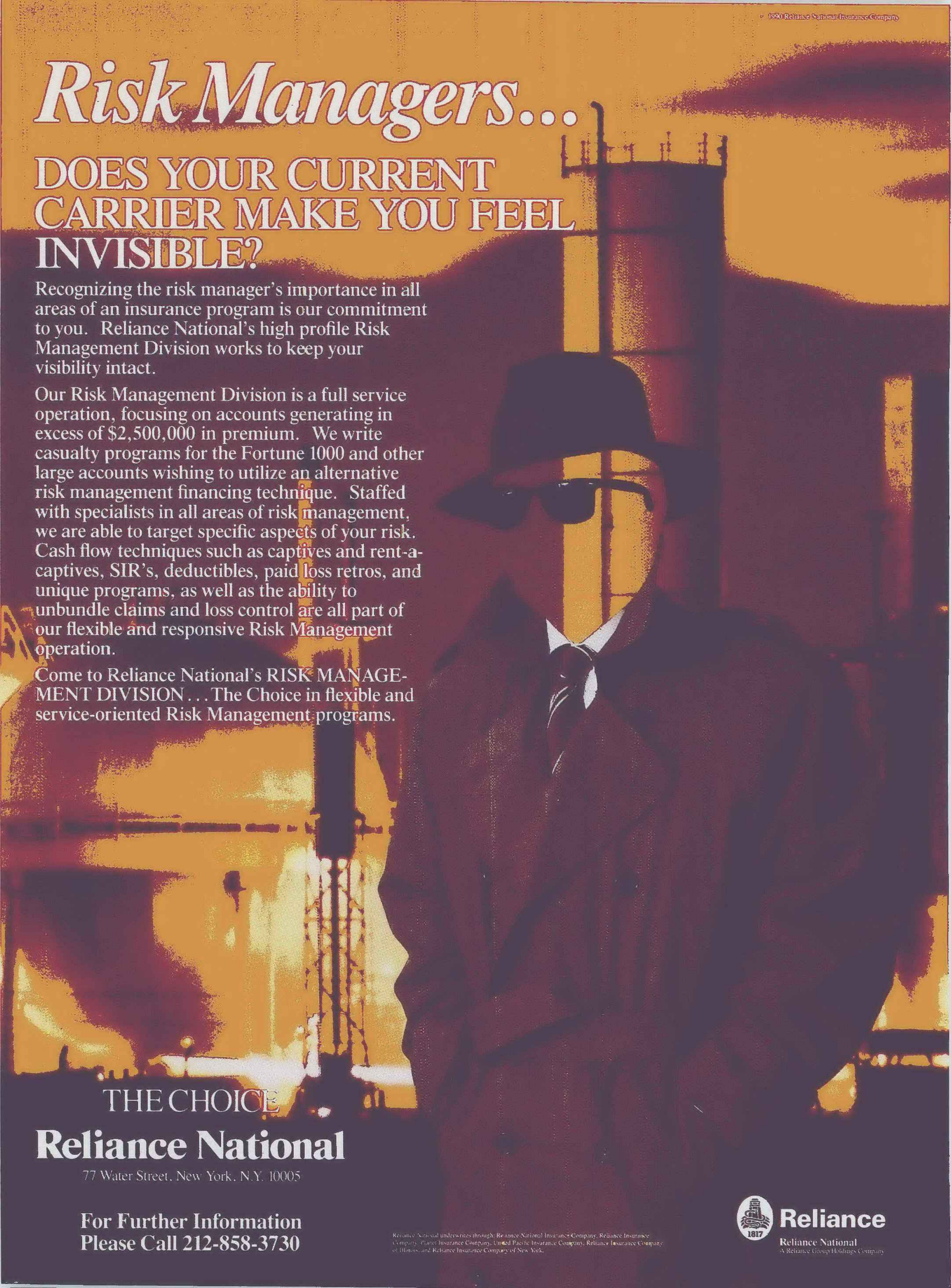
Mr. Stutz said the project—which he believes is the first of its kind—also will encourage competition among area hospitals.

Mr. Stutz said he expects hospitals to comply with the voluntary project because "we're only asking for the retail price of 205 services" for non-catastrophic cases.

The coalition, which is sponsored by 35 large employers with a total of 350,000 covered lives, hopes to publish prices effective from April 1 through June 30 in a manual. Mr. Stutz said prices will probably be updated every six months.

The group has not decided how much to charge for the manual.

All St. Louis employers will be able to purchase the manual. Half of the project's $150,000 budget has been financed by Civic Progress, an association of chief executive officers with major companies in the city. More than 160 area companies have endorsed the project, Mr. Stutz said. ■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Opinions

Relief from COBRA's bite

IT'S ABOUT TIME employers banded together to seek legislative relief from the unreasonable expenses imposed by COBRA.

As we report this week, the newly organized COBRA Coalition will lobby Congress to increase the premiums that employers can charge beneficiaries for COBRA health care continuation coverage.

When Congress in 1986 enacted the Consolidated Omnibus Budget Reconciliation Act, legislators said employers could charge COBRA beneficiaries a premium of 102% of the regular group health plan rate.

The theory at the time was that extending COBRA benefits would cost employers nothing, since their costs would be offset by beneficiaries' premiums, while beneficiaries would receive better and much less expensive coverage than they could purchase individually.

But employee benefit managers and consultants say the 102% premium does not begin to cover employers' costs.

Indeed, a survey conducted last year by *Business Insurance* found that 76% of employers with data reported that COBRA claims exceeded premium income, sometimes by huge amounts (*BI*, June 4, 1990).

That is hardly surprising since those who opt for coverage often are those who anticipate using medical services.

Employers have to let legislators know that COBRA is far from a no-cost benefit. And legislators must realize that as the COBRA costs continue to escalate, employers, especially smaller firms, will be even more hard-pressed to offer health care plans.

If employers drop health care plans, the problem of improving access to affordable health insurance —something that COBRA was intended to ease— will become that much worse.

COBRA is not the only benefit issue that the 102nd Congress should consider.

In an effort to reduce one factor causing health care costs to spiral—physicians who order extra and unnecessary tests because they fear medical malpractice suits—we hope that Congress and the Bush administration can agree on tort reforms to bring more predictability and balance to the legal system.

In addition, we would like to see Congress preempt state laws that now require insurers to offer specified benefits in the group health care policies they sell to employers.

The Employee Retirement Income Security Act of 1974 bars states from imposing such benefit requirements on employers with self-funded health care plans.

We cannot see any logical reason why these requirements are imposed on employers that are too small to self-fund and must purchase commercial insurance.

These state benefit mandates often are the result of lobbying by special interest provider groups eager to expand their markets rather than any kind of consensus on the type of benefits that should be included in a group health plan. What should or should not be in a health plan is something best left to employers and employees.

On the pension side, we hope legislators respond to employers' pleas to simplify pension laws.

Certainly, it is in the national interest for employers to spend their dollars on enriched benefits to plan participants and not on administration to comply with overly complex laws.

Letters

Flexibility of arbitration is often overlooked

To the editor: The article "Arbitration Best Avoided" (*BI*, Nov. 19, 1990) raises a number of issues raised at a session of the Fourth International Reinsurance Congress in Bermuda, not least of which is to highlight Mark Elborne's failure to look at why many arbitrations no longer have two of the great advantages of the arbitration process: comparatively low cost and speed of resolution.

The fact is that arbitration is a totally flexible process and both can and should be adapted to meet the needs of the parties in dispute. That it is often run as a pale shadow of the court system is due mainly to:

- The lawyers of the parties in dispute who feel more comfortable operating in an environment in which they have been "brought up."
- To a lesser extent, arbitrators not being sufficiently robust in setting down the procedure to be adopted.

The Chartered Institute of Arbitrators in London is taking steps to rectify this situation by:

- Actively recruiting lawyers into membership.
- Raising the standards required of those of its members who wish to be listed in a register of those qualified to act as an arbitrator.
- Seeking and supporting current moves to clarify, codify and strengthen arbitration law within the United Kingdom.

On the points made by Mr. Elborne that "conciliation is always a better means of resolving disputes than confrontation," this is also the view of the Chartered Institute of Arbitrators, which has put it into effect by issuing its own "alternative dispute resolution services" consisting of conciliation and mediation, as well as supervised settlements.

Since the outcome of these services is non-binding unless specifically agreed to by the parties in dispute, there must be a legally enforceable backstop, which should be litigation for disputes involving complicated points of law, and arbitration for disputes of mainly a technical nature.

One other point that I would like to make is that at the contract signing stage, consideration should be given to the following:

- The appointment of a disputes adviser to be responsible for resolving disputes as and when they occur throughout the term of the contract.
- The provision for conciliation if a disputes adviser is not used.
- The backstop of arbitration or litigation, depending on the nature of the dispute.

Finally, it behooves all those involved in dispute resolution to contribute toward the refining of the methods available, endeavor to select the most appropriate means for resolving the particular dispute and endeavor to operate the procedure selected for the benefit of their clients.

K.R.K. Harding
Secretary
The Chartered Institute of Arbitrators
London

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

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Comings & goings: buyers

Paul Kangas promoted at T.J. Maxx

Paul Kangas, 31, has been named manager-risk management at T.J. Maxx, a subsidiary of TJX Cos. Inc., both based in Framingham, Mass. In this newly created position, he is responsible for claims management, occupational health and safety programs. He reports to Bruce Margolis, senior vp-human resources. Mr. Kangas joined T.J. Maxx—a retail clothing chain—a year ago, and most recently was risk manager. He previously was corporate insurance manager for General Cinema Corp. of Chestnut Hill, Mass. Mr. Kangas holds a bachelor's degree in business and economics from St. Anselm College in Manchester, N.H. Mr. Kangas is a deputy member of the Boston chapter of the Risk & Insurance Management Society Inc.

* * *

Colleen B. Dixon has been named risk manager at the American Bureau of Shipping of Paramus, N.J. Ms. Dixon is responsible for administering the firm's property/casualty insurance program. She replaces **John Dorf**, who left the company. Ms. Dixon reports to John P. Larson, assistant vp and assistant treasurer. Before joining the American Bureau of Shipping—which provides shipowners with vessel classification and sizing information they must submit to insurers—Ms. Dixon was the insurance officer at Columbia University in New York. Prior to that, she was an account representative at Marsh & McLennan Marine & Energy Services Inc. in New York. She holds a bachelor's degree in fine arts from Fairleigh Dickinson University in Madison, N.J., and she holds the Associate in Risk Management designation. Ms. Dixon is a deputy member of RIMS.

* * *

Valerie Walters has been named risk manager at American University in Washington, D.C. She is responsible for the university's property/casualty insurance, industrial hygiene, loss control and safety programs. Ms. Walters replaces **Dave Pajek**, who is now risk manager at Syracuse University in Syracuse, N.Y. She reports to Vi Ettle, assistant vp-finance. Before joining American University, Ms. Walters was risk management analyst at Manor Healthcare Corp., a nursing home facility operator in Silver Spring, Md. Prior to that, she was a sales representative for Liberty Mutual Insurance Co. in Rockville, Md. She holds a bachelor's degree in American studies and geography from Mary Washington College in Fredericksburg, Va., and is pursuing a master's degree in business administration at American University. Ms. Walters holds the Associate in Risk Management designation and is pursuing the Chartered Property & Casualty Underwriter designation. She is a deputy member of RIMS.

•

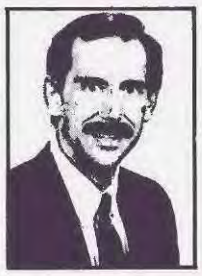
We'd like to report on staff changes in your company's risk management, safety and employee benefits departments. Just drop a note to Nancy Johnson, Copy Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, or call 312-649-7784. Please send a photograph, too.

At issue

What are your employee benefits New Year's resolutions?

John J. Boylan
Manager-Benefits
GEC-Marconi Electronic Systems Corp.,
Wayne, N.J.

I will help my employees understand the reality of rising health care costs and the impact they have on our organization. I'd like employees to take an active role in the cost containment effort within their own health care delivery system. I will have one uninterrupted lunch in the company cafeteria.



Bradley R. McDonald
Director-Health Systems
Honeywell Inc.,
Minneapolis

When working with providers, I resolve to continue to focus on quality and continuous quality improvement in health care. When working with other businesses, I resolve to encourage them to focus on quality and move away from the current focus on discounts. Business needs to reward the high quality and efficient providers, not just the inexpensive ones.

Thomas F. Martino
Manager-Risk Management/ Compensation & Benefits
APCOA Inc.,
Cleveland

Developing and stepping forward with progressive state-of-the art benefits programs without tripping over governmental priggishness; remembering that *my* concerns of cost savings, adequate care and control of claims dollars are directly divergent to those benevolent concepts rolling down from 'The Hill.'

Erline Belton
Senior Vp-Human Resources
The Progressive Corp.,
Mayfield Heights, Ohio

I want us to begin to examine the implications of the non-traditional family—the impact from an emotional point of view and also the financial impact. This year, I'd like to begin to develop philosophies and benefits that support the needs of the new workforce.

Compiled by Christine Woolsey

Special Information Resource section

Automation for agents and brokers

• Dorex Data Services Inc. offers a brochure detailing its "Managing General Agents Software Package," an **automation system for managing general agents and underwriting managers.** Write 101 on the reader service coupon.

• McCracken Computer Inc. provides an overview of the INSIGHT Insurance Management System, a fully integrated **agency management system** featuring a single-entry data base that links all agency functions from rating and policy processing to accounting and marketing. Write 102 on the reader service coupon.

• A brochure available from Mountain States Software describes A-PLUS, its full-function **agency management system** that provides integrated rating, transactional filing, custom reporting and filing functions. Write 103 on the reader service coupon.

• N.A.D.A. Used Car Guide Co. offers materials describing PC Dial Guide, a software program providing access to N.A.D.A.'s **computerized vehicle valuing system**. Write 104 on the reader service coupon.

• A booklet describing the software systems for brokers to **computerize risk and claims management services** offered to their clients is available from California Interactive Computing Inc. Write 105 on the reader service coupon.

• The Insurance Institute of America's three-course **Associate in Automation Management designation** program, which is designed for insurance professionals who use computerized information, is described in a flyer. Write 106 on the reader service coupon.

• NRM Computer Systems Inc. highlights the application and benefits of **computer imaging systems** in a booklet describing its Paperless Storage System product. Write 107 on the reader service coupon.

• Financial Data Planning Corp. offers a brochure describing its software products, including **advanced underwriting, home office systems and planning systems,** which are designed to assist insurance, financial planning and employee benefit professionals. Write 108 on the reader service coupon.

Automation for insurers

• A demonstration disk and flier for Norick Software Inc.'s **PC-based document storage and retrieval system** is available from the company. The system can be used as a single station or on the Norell Network system. Write 201 on the reader service coupon.

• Softouch Software Inc. provides an article describing the use of **ICD-9 diagnosis codes to record compensable conditions for payment by insurers**. The article also describes the use of automated case management software. Write 202 on the reader service coupon.

• MEDSTAT Systems Inc. offers a report charting **regional health care cost and use patterns and historical trends for general and psychiatric inpatient services**. Write 203 on the reader service coupon.

• A document compiled by The Wheatley Group Ltd. contains a profile of **the IBM AS/400 system, including integration with personal computers and ease of connection with other systems.** Write 204 on the reader service coupon.

• A booklet available from Genelco Inc. describes its Benefit Administration and Reporting System software, which is designed to provide employee reporting and verification for **group and individual insurance plans, Multiple Employer Trust Associations and Taft-Hartley trust plans**. Write 205 on the reader service coupon.

• A folder available from Continental Software Inc. outlines a group proposal software package titled Common Census that **rates group cases and prints custo-**

Continued on next page

Guide to section

The annual special Information Resource section is an editorial compilation of current informational and educational materials on topics of interest to risk, employee benefits, financial and insurance executives.

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

The materials, all of which may be obtained free of charge by *Business Insurance* readers, are organized under these headings: automated systems and software for agents and brokers; automated systems and software for insurers; captives; commercial property/casualty insurance; employee benefits; employee benefit information systems; fidelity and surety; financial services; international; loss control/people; loss control/property; marine; reinsurance; risk management; risk management information systems; self-insurance services; and workers compensation.

To receive any of the free materials listed in this special section, please write the key numbers of the items that you wish to receive on the reader service coupons that can be found throughout the section. Fill out the remainder of the coupon and mail it to: *Business Insurance* Reader Service Center, 605 S. Clark St., Sixth Floor, Chicago, Ill. 60605-1702.

All requests for free Information Resource material must be received before March 22, 1991, in order to be processed.

Business Insurance Information Resource

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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 Inst
D ☐ Government I ☐ Actry/Consit
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:
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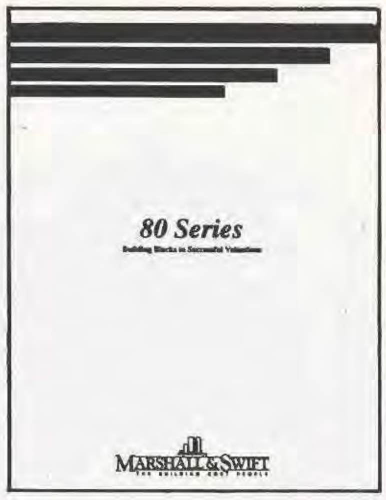
Continued from previous page.
mized proposals from the entry of one census. Write 206 on the reader service coupon.

• A software system that **automates policy processing** in property and casualty companies is outlined in a brochure from AQS. Premium quotation components are also discussed. Write 207 on the reader service coupon.

• California Interactive Computing Inc. offers a product data sheet on the GenRisk software system which **automates the risk management function for insurance companies** and their clients. Write 208 on the reader service coupon.

• A folder from Marshall & Swift explains a software package that **establishes value estimates for residential or commercial occupancies.** Write 209 on the reader service coupon.



• Andersen Consulting offers a brochure detailing how technology can help the insurance industry master changes in **strategy, productivity and information management**. Write 210 on the reader service coupon.

• Factsheets from ISI Systems Inc. describes Horizon/400, a **complete policy administration system** for property/casualty insurance. This software handles policy, billing, loss, reinsurance and financial information. Write 211 on the reader service coupon.

• A booklet from NRM Computer Systems Inc. details its **risk management information and financial analysis** software system. Write 212 on the reader service coupon.

• A flyer on Claims Administrative System and Services, a software program designed to automate the **processing, reporting and management of property/casualty claims,** is available from ISI Systems Inc. Write 213 on the reader service coupon.

• A booklet available from Genelco Inc. discusses its Health Benefit Management System, a software package for insurance companies, including a **health claim adjudication and reporting system and a utilization review module.** Write 214 on the reader service coupon.

• A pamphlet describes NRM Computer Systems Inc.'s **workers compensation** software system. Write 215 on the reader service coupon.

• Intro-Vision, a complete system for property/casualty insurers available through Insurance Data Processing Inc., features a PC-based, network environment for the **entry, balancing and immediate inquiry of premium, claim and accounting transactions.** For a descriptive package and videotape, write 216 on the reader service coupon.

• A software claims processing system for **liability, auto and property** is described in a pamphlet from NRM Computer Systems Inc. Write 217 on the reader service coupon.

Captives

• Johnson & Higgins offers a brochure summarizing the application, registration and licensing procedures for **captives in Barbados.** Write 301 on the reader service coupon.

• Management services available for **captives domiciled in Bermuda, Barbados, the Cayman Islands and Dublin** are detailed in a pamphlet available from Commonwealth Risk Services Inc. Write 302 on the reader service coupon.

Continued on page 14

We stand behind each and every one we sell.

Anyone can promise to absorb the shock of major losses. But what happens if they're more catastrophic than anticipated?

Or one follows on the heels of another? Will your reinsurer be ready to stand behind you? With the kind of support you need when you need it?

At CIGNA Reinsurance Company, we have the resources to cushion the impact of wide-scale losses.

But we bring a lot more to the table than financial strength.

Namely, over 40 years of reinsurance experience. As a result, we have the ability and the willingness to provide innovative solutions. In everything from underwriting, claims management and actuarial services to investment counseling and loss control.

No matter what we do, we do it with a responsiveness and commitment you expect from an aggressive reinsurance partner.

Of course, we can't eliminate all the bumps along the way. But we can make sure the ride will never be uncomfortable.

CIGNA Reinsurance Company, One Franklin Plaza, Phila., PA 19102.

We get paid for results.℠ CIGNA

Continued from page 12

• Johnson & Higgins offers a pamphlet describing the application, registration and licensing procedures for **captives in Bermuda.** Write 303 on the reader service coupon.

• A folder from Northern States Management Inc. provides an **overview of Vermont's captive laws and procedures,** including forms and regulatory guidelines. Write 304 on the reader service coupon.

• A folder from Johnson & Higgins-Global Captive Management Group outlines **alternative risk financing plans** ranging from retrospectively rated plans to captives. Write 305 on the reader service coupon.

• A monograph which discusses the landmark Humana decision on **deductibility of premiums paid to captives** in light of the more recent Gulf Oil Corp. ruling is available from Becher & Carlson Risk Management Inc. Write 306 on the reader service coupon.

• "Formation of a Captive Insurance Company in Vermont," a brochure available from Johnson & Higgins, describes the **captive application and licensing procedures in Vermont.** Write 307 on the reader service coupon.

• A booklet from Brown Brothers Harriman & Co. reviews issues to be considered when **hiring an investment manager for offshore captive assets.** Write 308 on the reader service coupon.

• Application, registration and licensing procedures for **captives in the Cayman Islands** are detailed in a brochure from Johnson & Higgins. For a copy, write 309 on the reader service coupon.

• Triple S Inc., a subsidiary of the National Food Processors Assn., offers a quarterly newsletter that provides information related to the **Food Processors Risk Retention Group** and an offshore association captive. Write 310 on the reader service coupon.

• "CaptiVisions," a quarterly newsletter produced by J&H's Global Captive Management Group, discusses **developments in the captive industry,** including regulatory changes and recent innovations in designing captive programs. Write 311 on the reader service coupon.

Commercial property/ casualty insurance

• An article reprint from Swett & Crawford is available discussing how **insurance wholesalers** assist and expand the capabilities of retail agents. Write 401 on the reader service coupon.

• A folder from Zurich-American Insurance Group provides background on the capabilities of its **commercial insurance** branch, including business dealings with risk managers and producers. Write 402 on the reader service coupon.

• An analysis of **asbestos liability coverage forms** is offered by Environmental & Commercial Insurance Agency Inc. An excerpt from the Ohio Asbestos Report on abatement contractor policies is also included. Write 403 on the reader service coupon.

• A brochure outlines Crawford & Co.'s range of medical cost containment services which are designed to **control auto liability medical expenses.** Write 404 on the reader service coupon.

• International Risk Management Institute Inc. offers a brochure detailing its new book which answers questions about **additional insureds on liability policies**. The book includes court rulings with more than 100 cases discussed. Write 405 on the reader service coupon.

• "Marketplace," a newsletter published by J.H. Fergusen & Associates, provides timely articles concerning a variety of **professional liability and excess/surplus lines coverages**. For a copy, write 406 on the reader service coupon.

• Floyd West & Co., the petroleum property insurance underwriting unit of Crum & Forster, offers a brochure describing its services for **petroleum, petrochemical and specialty chemical risks.** Write 407 on the reader service coupon.

• A statistical analysis provided by the Illinois Insurance Exchange provides facts and figures comparing the exchange to other **excess and surplus lines markets.** Write 408 on the reader service coupon.

• "The Cornerstone," a quarterly publication from Alpine Insurance Co., contains trends and loss prevention advice for **architects and engineers**—as well as their insurance agents and brokers. Write 409 on the reader service coupon.

• Swett & Crawford distributes a question & answer-format article by Senior Vp Ross T. Smith covering **why non-profit clients need D&O coverage,** policy form and submission requirements. Write 410 on the reader service coupon.

• Scarborough & Co. offers a brochure detailing its property and casualty **insurance plans for financial institutions.** Write 411 on the reader service coupon.

• A brochure from Environmental Management Insurance Services Inc. describes the availability of **asbestos liability insurance** and pinpoints coverage components that should be looked into before buying a policy. Write 412 on the reader service coupon.

• **Sharing responsibility for insurance reform** is the subject of a speech given by CNA Financial Corp. Chairman and CEO Edward J. Noha. Focusing on the consumer, encouraging free choice and containing costs that drive up premium rates are all discussed. Write 413 on the reader service coupon.

• A brochure exploring **struc-**

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tured financial products is available from Zurich-American Insurance Group. Explanations of the profitable use of loss portfolio transfers and funding programs are given. Write 414 on the reader service coupon.

• The American Institute of Property & Liability Underwriters and the Insurance Institute of America offer a listing of all of the **educational courses** they offer. Write 415 on the reader service coupon.

• A reprint of a speech by CNA Financial Corp Chairman and CEO Edward Noha stressing that **managing insurance cycles** demands adherence to long-term commitments is available. Write 416 on the reader service coupon.

• A checklist of 134 **potential liabilities facing directors and officers,** including management business and operations, informed business judgment and change of control situations, is contained in pamphlet from Swett & Crawford. Write 417 on the reader service coupon.

• Summaries of Zurich-American Insurance Group's four **specialized market segment business divisions** are available in a brochure from the company. Write 418 on the reader service coupon.

• A brochure from Worldwide Weather Insurance Agency Inc. describes **weather insurance coverages** available to the property/casualty industry. Special event, agriculture and ski resort coverage are a few examples. Write 419 on the reader service coupon.

• "Free Markets: The Tradition Worth Defending" is the title of a speech given by CNA Financial Corp. Chairman and CEO Edward J. Noha, that centers on **preserving the insurance industry's place in the private sector.** Write 420 on the reader service coupon.

• A reprint of an article authored by Clausen, Miller, Gorman, Caffrey & Wittous P.C. that appeared in the Insurance Law Journal analyzes recent **developments in the law applicable to property insurance policies.** Write 421 on the reader service coupon.

• A Liberty Mutual Insurance Co. brochure describes the company's approach to the service and handling of **large commercial property accounts.** Write 422 on the reader service coupon.

• Zurich-American Insurance Group offers a flier on its **professional claim service for large account customers,** including a loss cost-containment program. Write 423 on the reader service coupon.

• A reprint of an address given by CNA Financial Corp. Chairman and CEO Edward J. Noha at the Society of CPCU annual meeting is available. The speech contends that **assaults on the insurance industry** must be met with a greater commitment to consumers and an attack on loss costs. Write 424 on the reader service coupon.

• A booklet from Marsh & McLennan Cos. Inc. highlights features of the **Bowring Low Excess Slip.** The line slip is designed to give first layer excess coverage compatible with X.L. Insurance Co. Ltd. and A.C.E. insurance Co. Ltd. Write 425 on the reader service coupon.

• An audiocassette that describes the strategies of several insurers on operating in a **soft commercial insurance market** is available from Dun & Bradstreet Corp. Write 426 on the reader service coupon.

• A reprint of a speech by CNA Financial Corp. Chairman and CEO Edward J. Noha, in which he argues against **rigid governmental control of the insurance industry,** is available. Write 427 on the reader service coupon.

• A booklet providing an overview of the four major types of **errors and omissions claims** made against insurance professionals and tips for avoiding such claims is available from Bishop, Barry, Howe, Haney & Ryder. Write 428 on the reader service coupon.

• An explanation of the coverage gaps resulting from **non-concurrency between excess and primary insurance policies** is given in an article from Clausen Miller Gorman Caffrey & Wittous P.C. Write 429 on the reader service coupon.

• Strategies to help independent producers **increase agency revenue** by taking advantage of existing underwriting profit on an account are described in a report from United National Group. Write 430 on the reader service coupon.

• A brochure on SBPA Systems Inc.'s history and the features of its **Group Benefit Administrative System** is described in a booklet from the company. Other information on flexible benefits administration, training and hardware is also included. Write 431 on the reader service coupon.

• Vision-MIS is an on-line, integrated **property and casualty management information system** from Insurance Date Processing Inc. The system supports personal and commercial lines rating and issuance, premium processing, claims administration, agency billing and more. For an introductory package and videotape, write 432 on the reader service coupon.

• A pamphlet from Swett & Crawford covers **trends of D&O insurance in the early '90s,** with references to a 1989 survey by The Wyatt Co. Topics include claims frequency and costs and risk of personal liability. Write 433 on the reader service coupon.

• Transamerica Insurance Finance Co. offers a booklet describing **premium financing** and how it can boost agency profitability, while helping the buyer to increase cash flow. Write 434 on the reader service coupon.

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Business Insurance **Information Resource**

NOTE: THIS COUPON WILL NOT BE SERVICED AFTER MARCH 22, 1991
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:
- A ☐ Mfg/Svcs
- B ☐ Association
- C ☐ Union
- D ☐ Government
- E ☐ Educational Inst
- F ☐ Ins Agen:
- G ☐ Ins Broker
- H ☐ Ins/Reins Co
- I ☐ Actry/Conslt
- J ☐ Attorney
- K ☐ Adj/Apprs
- L ☐ TPA
- M ☐ Healthcare Inst
- 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
- B ☐ Financial Mgt
- C ☐ Risk Mgt
- D ☐ Benefits Mgt
- E ☐ Loss Prevention Mgt
- F ☐ Other

4. My purchasing involvement for the requested products is to:
1 ☐ recommend only 2 ☐ specify 3 ☐ approve

5. Do you now receive a personally addressed copy of Business Insurance?
A ☐ Yes B ☐ No C ☐ Please send Business Insurance subscription information

To obtain copies of literature and information about products and services listed in this special info section, simply indicate the key numbers for the items you want and mail the coupon to:
Business Insurance Reader Service Center
650 S. Clark Street, 6th floor
Chicago, IL 60605-1702

Please print clearly

Name ____________
Title ____________
Company ____________
Address ____________
City ________ State ______ Zip ______
Phone ( ) ____________

Employee benefits

• Peer Review System, Inc. offers a booklet explaining its **health care utilization management services**, which include inpatient and outpatient utilization reviews, medical case management, substance abuse managed care, hospital bill audit second surgical opinion and special case reviews. Write 501 on the reader service coupon.

• A special report from Pearle Managed Vision Care gives information on **structuring a vision care program** and choosing a vision care provider. Write 502 on the reader service coupon.

• A brochure available from Hyatt Legal Plans Inc. describes the services provided and costs associated with offering a **group legal services plan** to employees. Write 503 on the reader service coupon.

• Northwestern National Life Insurance Co. offers a publication outlining key components of **case management programs.** Information on the design, implementation and cost savings of such programs is included. Write 504 on the reader service coupon.

• "The Alternative Approach," a booklet explaining different **funding options for employee benefit programs**, is available from Administrative Components Inc. Self-funding of medical, dental and vision benefits is stressed. Write 505 on the reader service coupon.

• A brochure from Ameritas Life Insurance Corp. details a **dental benefits program** called "A New Choice" that offers employees the option of several managed dental plans or a traditional dental program. Write 506 on the reader service coupon.

• "Managing Your Prescription Drug Benefit," a pamphlet from Prescription Health Services Inc., describes cost containment measures available for **management of prescription drug benefit costs.** Write 507 on the reader service coupon.

• A fact sheet from La Petite Academy Inc. gives information on **child care and corporate productivity**, profiling several companies that have developed work/family programs. Write 508 on the reader service coupon.

• A series of informational sheets outlining the **physical and behavioral changes that result from cocaine use** and information for employers dealing with troubled employees is available from Lifeline. Write 509 on the reader service coupon.

• Miller Mason & Dickenson offers a copy of its quarterly newsletter that addresses problems and innovations in **benefits and compensation for executives.** Write 510 on the reader service coupon.

• "Perspective," a quarterly newsletter published by Erisco, addresses **issues in the employee benefits industry.** Write 511 on the reader service coupon.

• A brochure from Triple S Inc. explains Advantage 125, an employer-sponsored **flexible benefits plan.** Write 512 on the reader service coupon.

• An analysis of how claims data reports reveal **employee and dependent use of benefits** is provided in a report from Northwestern National Life Insurance Co. Key claims data components, calculations, worksheets and suggestions are included. Write 513 on the reader service coupon.

• A flier from FICAP provides information on how to obtain a kit that simplifies **installing and administering a Section 125 premium only plan.** Write 514 on the reader service coupon.

• A reference guide offered by American Custom Publishing Corp. clearly summarizes **1991 Medicare benefits**. Medicare Part A and B premium and deductible amounts are included. Write 515 on the reader service coupon.

• A 16-page booklet from Island Peer Review Organization Inc. outlines the rights of **Medicare hospital patients in New York.** The publication includes hot line numbers for filing complaints and reporting problems. Write 516 on the reader service coupon.

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Take the long view.

Reinsurance decisions made today can drastically affect your company's performance in the years to come. That's why it's important to put today's concerns into long-term perspective – and work with General Re to keep them there.

General Re®

Reinsurance at its best

Continued from page 16

• Ameritas Life Insurance Corp. offers a brochure on Select Rx, a free-standing **managed prescription drug program** that can be added to any existing health plan. Write 517 on the reader service coupon.

• International Accident Facilities Inc.'s employee travel plan brochure discusses options in **developing a travel accident insurance plan.** Accidental death and dismemberment plans are highlighted. Write 518 on the reader service coupon.

• A pamphlet from Key Care Health Resources Inc. focuses on comprehensive **utilization review and health education strategies.** Write 519 on the reader service coupon.

• The RLI XS Executive Medical Insurance program, a **medical benefit plan for top executives,** is detailed in a brochure from the RLI Corp. Write 520 on the reader service coupon.

• A brochure offered by Midwest Vision Service Plan explains the company's **prepaid vision benefits program.** The brochure describes plan administration, the VSP network of doctors and cost-containment elements of the program. Write 521 on the reader service coupon.

• A catalog from the International Foundation of Employee Benefit Plans contains information and forms for enrolling in the **Certified Employee Benefit Specialist program.** Write 522 on the reader service coupon.

• Vision Perfect, a **stand-alone vision plan** that can be added to any benefit package, is discussed in a brochure from Ameritas Life Insurance Corp. Write 523 on the reader service coupon.

• A booklet from Northwestern National Life Insurance Co. gives examples and case studies from companies that have **flexible benefit plans.** Write 524 on the reader service coupon.

• La Petite Academy Inc. offers a quarterly newsletter that focuses on **child care topics.** New laws, regulations, developments and corporate approaches are discussed. Write 525 on the reader service coupon.

• "Focus," a newsletter from Miller Mason & Dickensen, details **laws, regulations and trends affecting employee benefits.** Write 526 on the reader service coupon.

• Managing health care and fostering employee wellness by **employing occupational health nurses** is the topic of a brochure from the American Assn. of Occupational Health Nurses. Write 527 on the reader service coupon.

• A brochure from Benesys Managed Mental Health Services describes the company's **mental health and substance abuse services.** Write 528 on the reader service coupon.

• A newsletter offered by Miller Mason & Dickenson gives **legal decisions, studies, statistics and other developments in employee benefits.** Write 529 on the reader service coupon.

• Triple S Inc. offers a sample of its **employee benefit communications program** for employers. The program provides a clear picture of a worker's insurance, pension plan and Social Security benefits. Write 530 on the reader service coupon.

• A brochure from Northwestern National Life Insurance Co. outlines six steps for employers to develop a **health care cost control partnership** with employees. Write 531 on the reader service coupon.

• StayWell Health Management Systems Inc. offers a report and a sample brochure explaining its HealthPath targeted **health risk assessment program**, which identifies high-risk employees and provides them with information to change unhealthy lifestyles. Write 532 on the reader service coupon.

• Two fact sheets are available from MEDSTAT Systems Inc. that discuss **current health care topics**. One details employers' 1989 Maintenance of Effort liability, while the other looks at the effect of physician practice styles on health care utilization. Write 533 on the reader service coupon.

• An article from SBC Systems Corp. examines **government regulations that affect flexible spending accounts.** Write 534 on the reader service coupon.

• A sample copy of "Health & You," a family health magazine designed to **show employees how to improve their own health**, is available from Health Ink Publishing Group. Write 535 on the reader service coupon.

• A magazine from The Wyatt Co. provides information and analysis of major issues in **benefits, compensation, management, communication, organizational design and other human resources issues.** Write 536 on the reader service coupon.

• A publication describing recent **changes in the U.S. pension system** as a result of excessively complex rules is available from Buck Consultants Inc. A need for simplification of government-im-

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posed rules is included. Write 537 on the reader service coupon.

• "The Corporate Disability Fact Finder," a leaflet from American Specialty Underwriters Inc., gives employee benefit managers 38 questions to ask when **evaluating the quality of their firm's existing disability programs.** Write 538 on the reader service coupon.

• Preferred Health Network offers a description of the managed care organization's **cost-saving innovations, management strengths, medical expertise and advanced information reporting and client servicing.** Write 539 on the reader service coupon.

• A listing of more than 400 cassettes and videotapes of **experts in the employee benefits field** is provided by the International Foundation of Employee Benefit Plans. Write 540 on the reader service coupon.

• A folder from Celtic Life Insurance Co. explains its **post-termination benefits program** for self-funded employers. The program provides transition or conversion coverage to terminating employees. Write 541 on the reader service coupon.

• StayWell Health Management Systems offers a brochure explaining its approach to health care cost management. **Assessment, education, maintenance and follow-up evaluation** improves employee lifestyles and reduces company costs. Write 542 on the reader service coupon.

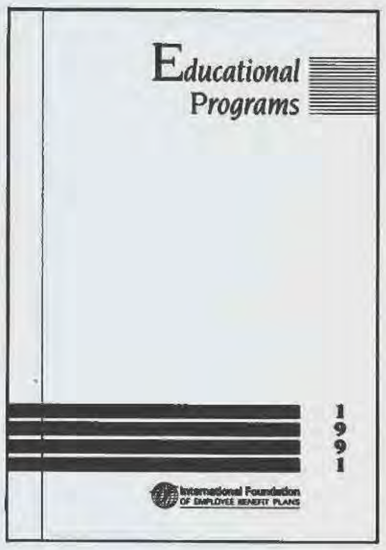
• A catalog provided by the International Foundation of Employee Benefit Plans gives a listing and synopsis of the newest and best-selling **employee benefits books, research reports and reference materials.** Write 543 on the reader service coupon.

• A reprint of a speech delivered at the American Council of Life Insurers Spring 1990 Conference by CNA Financial Corp. Chairman and CEO Edward J. Noha is available. The address contends that **life/health insurers are not immune to consumer activism,** which has targeted property/casualty insurers. Write 544 on the reader service coupon.

• A brochure from Liberty Mutual Insurance Co. gives information on the company's payroll deduction **personal insurance programs.** Write 545 on the reader service coupon.

• A Kwasha Lipton leaflet discusses **administrative options available when 401(k) plans are consolidated.** Write 546 on the reader service coupon.

• A folder from Parkside Health Management Corp. gives information about PATH, a **full-service PPO in the Illinois area.** Write 547 on the reader service coupon.



• The International Foundation of Employee Benefits Plans offers a brochure listing its **educational programs scheduled for 1991.** Programs for trust funds, associations, corporations, public employees and Canadian benefits personnel are included. Write 548 on the reader service coupon.

• Humana Inc. is supplying a description of how to use its HMO and PPO plans. Categories include **physician selection/services, claims, customer service, hospital services, emergencies and customer service.** Write 549 on the reader service coupon.

• Results of a survey of 736 CEOs of large U.S. employers is available from William Mercer Inc. Subjects include the **cost and quality of health care and changes in CEOs' attitudes.** Write 550 on the reader service coupon.

• An article from Crawford and Co. warns employers that **hospital precertification and concurrent review alone are not enough to control medical costs.** Write 551 on the reader service coupon.

• A booklet offered by CNA Financial Corp. explains **types of long-term care coverage** available for both the private and public sector. Write 552 on the reader service coupon.

• A review of the standard set forth by ***Firestone vs. Bruch* for fiduciaries under ERISA,** is available from Kwasha Lipton. Write 553 on the reader service coupon.

• "Risk Manager's Alert," a newsletter from American Specialty Underwriters Inc., discusses the uninsured and underinsured **disability risks of the senior level corporate executive.** Write 554 on the reader service coupon.

• A booklet from William M. Mercer Inc. describes its approach to **managed care that gives employers better control over health care costs.** Write 555 on the reader service coupon.

• An issue of "DIRECT," the newsletter of direct reimbursement and dental health plans, is available from the American Assn. of Orthodontists. **Cost-effective, simplified and self-funded dental coverage** is covered. Write 556 on the reader service coupon.

• **Humana Inc. offers a corporate fact sheet** with its mission statement, revenues, net income,
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number of employees and operating division data included. Write 557 on the reader service coupon.

• William M. Mercer Inc. offers a description of **non-discrimination rules applying to welfare plans** since the repeal of Section 89. A description of implications for employers is included. Write 558 on the reader service coupon.

• A brochure from Crawford & Co. Sentinel Medical Review Systems describes its **computer-assisted system for bringing hospital costs under control.** Write 559 on the reader service coupon.

• The American Assn. of Orthodontists is offering an educational video describing **a cost-effective form of self-funded dental coverage and direct reimbursement.** Write 560 on the reader service coupon.

• Reprints of an article published by Mid America Insurance magazine is available from the National Assn. of Employee Benefit Administrators. The article traces the **growth of the TPA industry.** Write 561 on the reader service coupon.

• A guide from InPhoto Surveillance offers 13 warning signals to alert employee benefit directors to **malingering claimants.** Red flags include claimants who are never home and who make excessive demands. Write 562 on the reader service coupon.

• Scarborough & Co.'s brochure describes its **insured trust program designed for financial institutions.** Write 563 on the reader service coupon.

• A publication supplied by Buck Consultants Inc. discusses the **application of strategic benefit planning to employer health care programs.** Examples of creative benefit approaches are included. Write 564 on the reader service coupon.

• A Kwasha Lipton brochure discusses issues to consider when designing a **retirement program for the future workforce.** Write 565 on the reader service coupon.

• An article explaining the role of **managed maternity care in high-risk pregnancies** is provided by Crawford & Co. Premature delivery prevention is discussed. Write 566 on the reader service coupon.

• A report from the International Foundation of Employee Benefit Plans explores the coming **workforce shortages and possible future benefits,** including child and elder care services. Write 567 on the reader service coupon.

• William M. Mercer Inc. offers a description of **regulations governing flex plans** and non-discrimination rules in effect since the repeal of Section 89. Write 568 on the reader service coupon.

• "Your Short-Term Option," a flier from Celtic Life Insurance Co., defines qualifications for its transition coverage, **short-term major medical insurance** available from one to six months. Write 569 on the reader service coupon.

• An article from Buck Consultants Inc. details the steps necessary to **choose and evaluate a company's health care provider network.** Write 570 on the reader service coupon.

• Health care cost containment for **workers' compensation claims** is discussed in a brochure from A.S.I. Armada Services Inc. Write 571 on the reader service coupon.

• Medical **procedures frequently identified as exceeding customary fees, being overbilled or being performed unnecessarily** are identified in a leaflet from the Medical Review Institute of America. Write 572 on the reader service coupon.

• A newsletter discussing managed care issues for controlling **workers compensation costs, accountability in outpatient care and control of auto liability** is available from Beech Street Inc. Write 573 on the reader service coupon.

• The International Foundation of Employee Benefits Plans offers a brochure describing its **summer internship program for college sophomores.** The program gives students experience in the employee benefits field and provides employers with qualified help. Write 574 on the reader service coupon.

• A publication from Buck Consultants Inc. examines the **effect of a troubled economy on benefits programs.** Implications of workforce reductions and benefit issues are reviewed. Write 575 on the reader service coupon.

• The Wyatt Insider, a newsletter that analyzes **regulatory, legislative and judicial activities worldwide** is offered by The Wyatt Co. Information on managing the changing workplace is included. Write 576 on the reader service coupon.

• Humana Inc. offers a brochure highlighting the benefits of its **cost**

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containment program and provides information on several of the program's features. Write 577 on the reader service coupon.

• A brochure detailing the results from an in-house **study of health flexible spending accounts** and proposed IRS regulations is available from the International Foundation of Employee Benefit Plans. Write 578 on the reader service coupon.

• The United States Employment Law Update, a quarterly newsletter including reports on **employee benefits and new developments in employment law**, is published by Baker & McKenzie. Write 579 on the reader service coupon.

• "Mastering Change" is a brochure offered by Andersen Consulting advising how to **manage change in strategies, technology and training** in the workplace. Write 580 on the reader service coupon.

• Kwasha Lipton has available an 80-page handbook that originally supported its seminar on **non-discrimination rules for defined benefit plans**. Write 581 on the reader service coupon.

• Appropriate options for **designing postretirement medical coverage** in the future is the subject of a 140-page handbook created for a Kwasha Lipton seminar. Write 582 on the reader service coupon.

• The "Guide to **Health Insurance for the Small Business Owner**" from Celtic Life Insurance Co. includes a checklist for comparing different health plans and advice on choosing coverage within a budget. Write 583 on the reader service coupon.

• A booklet, "Alternative vs. Traditional," outlines Crawford Support Systems Inc.'s **alternative alcohol and drug abuse treatment programs**. Write 584 on the reader service coupon.

• A form titled "Your Right to Convert" from Celtic Life Insurance Co. explains qualifications for its **conversion coverage plans,** an alternative health plan option. Write 585 on the reader service coupon.

• Parkside **Preferred Transplant Centers** are a group of health care facilities and physicians specializing in care for highly technical and expensive procedures and surgeries. For a descriptive flier, write 586 on the reader service coupon.

• **Multiemployer proxy voting** is explored in a survey by the National Opinion Panel from the International Foundation of Employee Benefit Plans. Write 587 on the reader service coupon.

• A trifold brochure from Crawford Support Systems Inc. profiles a 12-step **recovery residence program** and explains the concept of continued recovery through the support of a recovery community. Write 588 on the reader service coupon.

• Five **defined contribution plans and several non-qualified plans are discussed** in a 20-page booklet from the Practice Development Institute. Basic questions on compensation plans for the business owner are addressed. Write 589 on the reader service coupon.

• MedTrac Inc., a nationwide independent provider of **health care cost control and disability management** services, offers a brochure outlining its services. Write 590 on the reader service coupon.

Employee benefit information systems

• A booklet from the International Foundation of Employee Benefit Plans lists journals included in the **Employee Benefits InfoSource Database.** An explanation of data base access procedures is included. Write 601 on the reader service coupon.

• Genesys Software Systems Inc. offers a booklet outlining its **human resource system.** Components include applicant training, wage analysis and absenteeism tracking. Write 602 on the reader service coupon.

• A flier offered by Parkside Health Management Corp. details its **personal computer-based software for analyzing health claims data.** The program can be used by a computer novice. Write 603 on the reader service coupon.

• SLI Select Software is supplying a brochure detailing ULTRA-PLUS, a software system which **simplifies the administration of flexible benefit group insurance plans.** Write 604 on the reader service coupon.

• A booklet available from Genesys describes the benefits of its **defined benefits automation system.** The system includes record-keeping, calculating and pre-retirement counseling. Write 605 on the reader service coupon.

• A folder offered by Mayer Hoffman McCann details its **microcomputer-based software for administering Section 125 flexible benefits plans.** Features include individual account status, discrimination reports and batch claim processing. Write 606 on the reader service coupon.

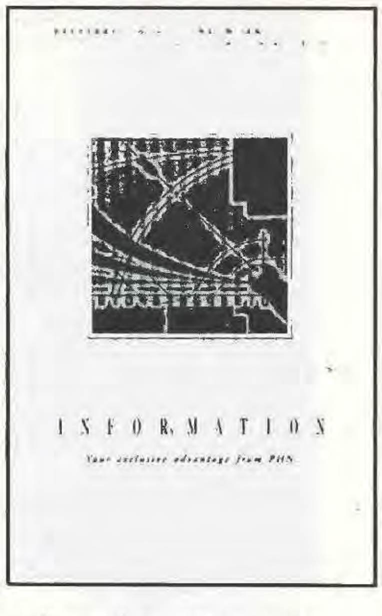
• A series of fact sheets from Information Science Incorporated describes InScivision, a **graphic interface allowing easy access to human resource information.** File folders, icons and common user access-compliant panels are used. Write 607 on the reader service coupon.

• A booklet describing Genesys' **human resource planning system** is available from the company. Features include budgeting with actual costs, performance tracking and succession planning. Write 608 on the reader service coupon.

• The Solution Series, an on-line system providing **payroll administration, human resource management and time and attendance recording,** is detailed in a pamphlet from Cyborg Systems Inc. Write 609 on the reader service coupon.

• Genesys offers a booklet describing the features of its **defined contribution system,** a program for administering capital accumulation plans. Write 610 on the reader service coupon.

• An explanation of advanced data products designed to help **manage company health care systems** is available from Preferred Health Network. Write 611 on the reader service coupon.



• An FLX Corp. publication outlines what features should be examined when **choosing a flexible benefits plan software package.** Write 612 on the reader service coupon.

• A brochure from Genesys describes its **payroll system**, which is designed to assure payroll checks are generated accurately and completely. Write 613 on the reader service coupon.

• A brochure from EBG & Associates describes its PensionMaker software, which cuts administrative costs and increases employer control over **pension, profit sharing, 401(k) and ESOP plans.** Write 614 on the reader service coupon.

• A Financial Data Planning

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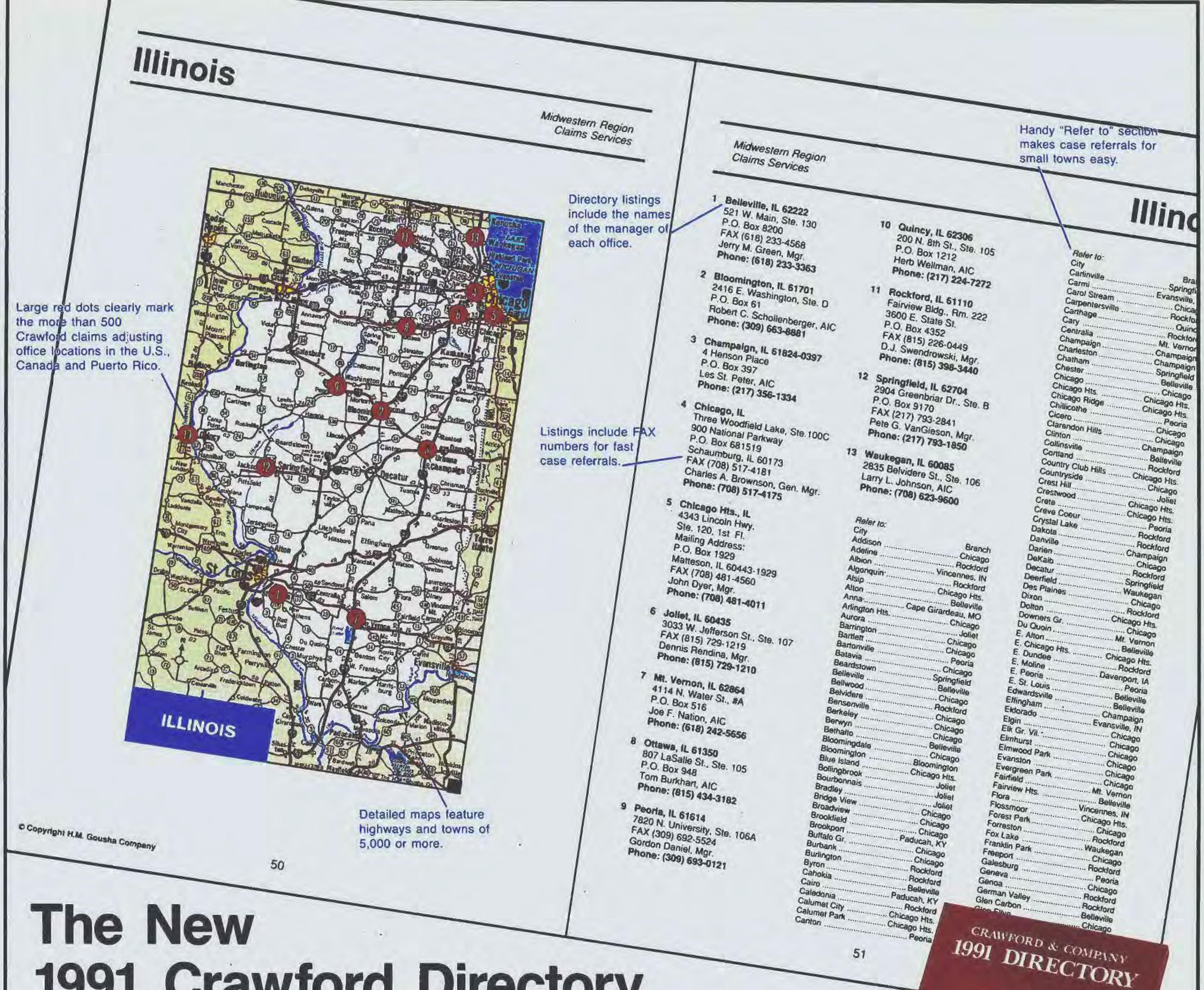

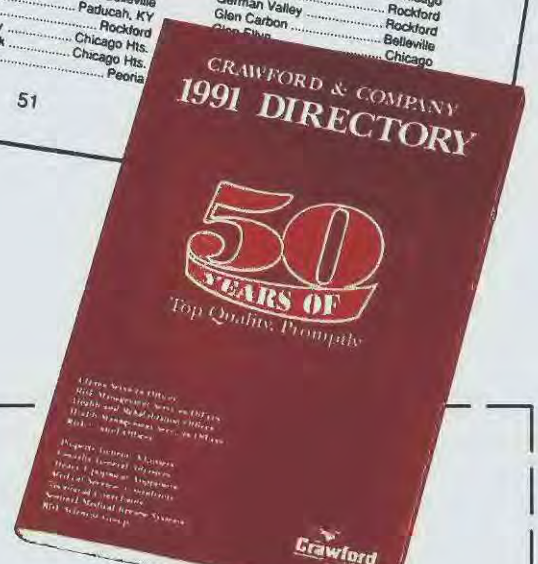

The New 1991 Crawford Directory Is Now Available.

Crawford & Company, a complete provider of claims services for 50 years, is pleased to offer our new 1991 Directory. It's a comprehensive listing of Crawford offices with . . .

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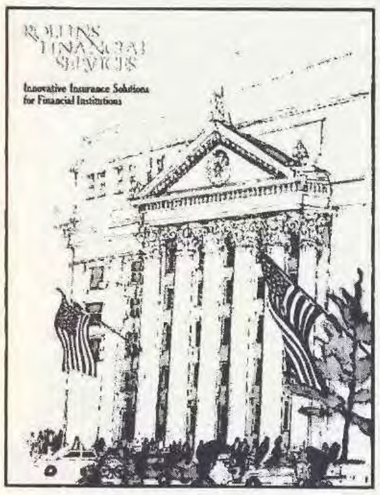

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ASK A CASUALTY ACTUARY

Clarifying a few points about insurance futures

By Richard E. Sherman

I APPRECIATE THE EFFORTS taken by Jonathan E. Lewis to try to correct several misconceptions he felt were contained in my article on insurance futures (*BI*, Nov. 12, 1990). There is a major need for extensive analysis and discussion of this new form of contract proposed by the Chicago Board of Trade.

I suspect that many discussions about insurance futures in the uture will be plagued by the types of questions that generated Mr. Lewis' article (*BI*, Dec. 31, 1990). Insurance and investment professionals tend to speak somewhat different languages, and the semantic difficulties that result when discussing a complex area such as futures will undoubtedly spawn many misunderstandings between the different participants in this new area.

Adding to this confusion will be the very different perspectives of individual speculators or traders as contrasted with institutional participants in the futures markets. Further adding to the confusion will be the characteristics of insurance that distinguish it from the factors (commodities, interest rates or currencies) that normally are the subject of futures markets.

I will try to address each of Mr. Lewis' concerns in the order in which they appeared in his article.

His first concern was that I was characterizing futures market traders as being propelled "by the key primal emotions of fear and greed."

Unfortunately, my comments about "fear and greed" were highly contextual, while Mr. Lewis assumed that they applied to all participants in futures markets. I never intended that my remarks should have applied to all participants. Instead, my comments about "fear and greed" were made in the context of the previous sentence in my article in which I mentioned that I, as an individual, had speculated in futures as a hobby. In using the term "anyone who has traded futures," I was actually referring only to small individual speculators like I once was.

On re-reading my article, I will admit that it is possible to infer that my comments about fear and greed applied to all participants in the futures market. Obviously, that is how Mr. Lewis read it, and I suspect that others who work professionally for institutions in handling futures contracts might also easily have concluded that my remarks applied to the context most familiar to them.

This misunderstanding illustrates, in some sense, the dramatically different perspectives held by the different participants in futures markets. The viewpoints of institutional participants and of individual traders and speculators are worlds apart. Unfortunately, these different viewpoints sometimes result in semantic problems whereby the same word means two very different things, depending on one's viewpoint.

Based on this misunderstanding of my intent, Mr. Lewis went on to conclude that I had overlooked "the vast amount of computer power that large institutional players and dealers employ to make very cold investment and hedging decisions." I can't agree with his observation, since I devoted four of the last five paragraphs of my article to talking specifically about insurance futures from the viewpoint of large institutional players. In those paragraphs, I referred to "the power to hedge against losses that is provided by the selling of insurance futures" and generally viewed things from the benefits that such contracts will provide to large institutions (primarily insurers) who will use those contracts to make prudent, conservative decisions.

Perhaps it would help if I clarified my terminology as I intended it to be applied. When I used the terms "traders" and "speculators," I was

Continued on next page

New incentives key to health reform

By Douglas S. Peters

Speaking out

SO MUCH HAS BEEN WRITTEN about the problems with health care in this country that restating it all here would be a waste of time and space. We all know the statistics that illustrate a troubled system in which too many go without health care because of cost while those who receive care often question its quality.

What hasn't been written about nearly as much, however, are the constructive answers that will lead us to a solution.

While numerous proposals have called for a radical dismantling of the current system in favor of a government-run alternative, few of these hold much promise for success. That's because Americans aren't ready to support a nationalized health care system.

We heard that message loud and clear in a recent survey conducted for the Blue Cross & Blue Shield Assn. by the Gallup organization. The poll revealed that, although Americans are deeply concerned about our health care system—70% say we are heading for a crisis—they are ambivalent over the role government should assume in health care. Only 20% "strongly agree" that a government program should fund all health care, with 31% agreeing "somewhat." And less than one-third would pay as much as $500 in annual taxes to support a government program that would provide health care to all; fewer than one in 10 would pay $1,000.

The problem lies not only in consumers' conflicting desires. There are a number of forces at work that muddy the waters and make the solution far from clear. Employers are demanding more control over their benefit payout. Consumers want comprehensive coverage, but they don't want to spend more to get it. Providers want to function freely, unencumbered by third-party utilization management requirements. Insurers want assurances that they are getting value for their subscribers' dollars. The government wants to reduce its financial liability for publicly funded programs.

Everybody wants something. The problem is, our many wants seem to work against each other. The incentives that guide decision-making and determine our choices have become dysfunctional.

The best answer to what's wrong with the way we deliver and finance health care in this country will be one that recognizes these conflicting views and redirects the incentives toward national objectives for cost, quality and access.

This belief is at the core of our organization's agenda for change. This agenda has been designed to be incremental, and is in no means final—we intend to move ahead knowing that what we do is not a "total solution."

But it is a significant step in the right direction. It presents these proposals:

• **Product development.**

Private insurers need to continue developing special products for the uninsured. The emphasis should be on the individual and small-group market. More than 23 Blue Cross & Blue Shield plans have created innovative programs that provide low-income families and individuals with a basic package of benefits at a significant discount. In some areas, the monthly cost for an individual can be as low as $22.

• **Insurance reform.**

There is no doubt that a health care system operates more efficiently when it is based on market forces rather than on regulation. However, certain practices in the industry have emerged that make it difficult, if not impossible, for some small business and individuals to afford coverage. The model act on small group rating and renewing practices adopted by the National Assn. of Insurance Commissioners would effectively curb these practices. And certain other tactics, such as redlining—refusing to write coverage in certain geographic areas or for certain industries—should be eliminated.

Eight states have now waived benefit mandates, making it possible for insurers to develop low-cost products. Other states should follow suit.

• **Federal reforms.**

Congress should offer tax credits to give small businesses incentives to provide employees with health insurance.

The Medicaid program has been woefully inadequate in meeting the needs of the poor. Currently, it covers only about 40% of those below the poverty level. For it to fulfill its promise of health care protection for the nation's low-income population, the following must be established:

- A mandatory minimum income eligibility level for the states.
- Eligibility not based solely on welfare categories.
- A sliding scale subsidy of health expenses for the working uninsured with incomes above Medicaid eligibility levels but below 150% of the federal poverty level.

• **Determining what works.**

As the rate of technological change in health care continues to elevate, it becomes increasingly important to step back and evaluate which procedures are clearly better than the existing alternatives. Similarly, clinical practice research and outcomes assessment programs deserve additional resources so that we can evaluate which medical practices make a genuine contribution to health and well-being.

In addition to determining which procedures work, it is equally important to identify the institutions that deliver them most effectively. Payment should be linked to providers on the basis of quality outcomes. And selective contracting, especially for high-cost treatments that require a high level of special expertise, should continue. We've developed "Centers of Excellence"—networks of designated medical centers that perform organ transplants and other highly specialized procedures. Steering patients to these selected facilities with superior staff and equipment helps to discourage excess capacity and encourage quality care.

In taking these steps we help to create better, more efficient, higher-quality and more consumer-oriented systems for financing and delivering health care services. We also hope to build a better foundation for consumer, provider and insurer decision-making.

These proposals do not, by any means, represent the complete answer. But for progress to be made, we need to begin taking some steps now. The time for describing the problem in our health care system is over. The system can be fixed—let's get on with it. ■

Douglas Peters is senior vp of Blue Cross & Blue Shield Assn. in Chicago.

Viewpoints on insurance futures

Continued from previous page

referring to individual players in the futures markets. Obviously, Mr. Lewis thought the term "trader" also applied to professionals such as himself, whom I would term "hedgers" or "institutional participants." When I stated, "Essentially, greed is the trader's primary motivation. I can say this because I have been a trader at various times in the past. It is an area where there are, somewhat jokingly, only two types of players: the quick and the dead." I was talking only about "traders" as individual players. I am glad Mr. Lewis expressed his concerns, so that others who interpreted my article as he did will be able to better understand insurance futures.

Mr. Lewis next takes issue with my discussion of futures pricing, where he claims I said that "the price of insurance futures will always have a premium." I did say that insurance futures will nearly always trade at a premium. The comments and charts in my article clearly imply that most of the time insurance futures will trade at a significant premium, but I never said they always would.

Mr. Lewis goes on to disagree with my statement that "normally, the number of interested buyers is larger in relation to the available supply of contracts," and notes that if this were true, "the laws of supply and demand would dictate that all futures prices should go up forever." In the original text I submitted to *Business Insurance*, I used the word "large" rather than "larger," which actually appeared in the printed article. I do not know whether this change in wording was due to a typo or to editorial revision, but I never used the word "larger." What I meant to say is that I expect that the number of interested buyers will tend to exceed the number of interested sellers at anything near cost-based prices, and so insurance futures contracts will tend to trade at a premium. Admittedly, I could have stated this more concisely than I did, but I believe that prices in a market rise or fall until supply and demand equalize.

Mr. Lewis points out one correction which I think is completely valid. In my brief discussion of selling contracts short, I ended up confusing the futures market with the cash market, and I stand corrected on the points that he raised there.

Mr. Lewis also takes issue with my supposition that premiums occur in futures markets, because "the fact that the degree of uncertainty in the ultimate value of the contract is heavily affected by the length of time to its expiration (and) causes nearly all futures to trade at a significant premium over their expected value." He then goes on to claim that I am confusing "time decay in options with convergence in futures."

First of all, let me say that the remark he quoted, as well as every remark I made in the article, was intended to apply within the context of insurance futures, rather than to futures markets in general. I would agree with Mr. Lewis' criticisms on this point if my remarks were applied to other futures markets. I do not believe, however, that his criticism here will be valid for insurance futures. Obviously, it is too early to tell who is right here.

Let me explain why I believe the insurance futures market will be different and might well exhibit characteristics of time decay much as options do. A large segment of the public believes that insurers make large profits, but that they somehow mask those profits through various gimmicks. As individual investors become aware of the availability of insurance futures, I believe they will perceive such futures as an opportunity to buy a stake in the supposedly large underwriting profits that insurers are rumored to enjoy.

At or near the time of the initial availability of each group of insurance futures, this profit mythology will tend to be particularly strong since no actual loss experience on those contracts will be known. It is my belief—and Mr. Lewis is certainly entitled to a different view here—that this profit mythology is so strong and so widespread among the public that they will almost flood the market for insurance futures with buy orders, causing such futures to trade at significant premiums over their expected values.

As time elapses and the actual loss experience on the index pool of policies becomes known, this profit mythology will begin to dissipate until it will finally disappear at the time of contract expiration (unless, of course, there is a high level of profit associated with the contracts). I believe that as the actual experience emerges, the slow erosion of the myth of excess profits from insurance will cause insurance futures to behave much like stock options and stock index options in terms of time decay. Because of this belief, I borrowed the concept of time decay from the options field and was stating my beliefs in my article.

Mr. Lewis then argues that the following statement from my article is false: "The purchaser of an insurance futures contract on these policies is buying the right to receive a portion of the 'gross profitability' on these policies, as it stands at the end of October 1991. Each contract relates to $100,000 of premium. If total premium is $100 million, then each unit represents 0.1% of total premium." He does so by saying, "If this were so, as the insurance contracts gained in popularity, each contract would be entitled to a proportionally smaller share in the gross profitability."

What I intended to say, regardless of how it could be read, was that the value of each unit was fixed, and defined as representing 0.1% of premium—in the case where total premium in the index pool was $100 million. I don't understand how the value of each contract, which is defined by something that is totally independent of the number of contracts, is going to decline as the number of contracts rises, which Mr. Lewis clearly implies is what I mean.

The value of each contract, or unit, does not vary according to the number of outstanding contracts, even if the total value of those contracts exceeds the total value of all the premium in the index pool. That value could be five times the total premium in the index pool, but each contract would be defined as being worth $100,000 divided by the total premium in the index pool of policies, times the aggregate gross profitability of those policies on the day the contracts expire. I agree with Mr. Lewis' concluding sentence on this issue, in which he said, "The rate of profitability on the group of contracts selected to serve as the index will determine settlement profitability for all contracts outstanding, regardless of the number."

I will certainly agree with Mr. Lewis that my statement about "each unit representing X% of total premium" is potentially misleading, because it could be construed to mean that there is a fixed supply of contracts determined by the amount of premium for the policies in the subject index pool. I appreciate his raising his concerns so this potential misunderstanding could be corrected. Clearly, the number of outstanding contracts will be determined by the volume of situations wherein a buyer and a seller agree on a price. The number of contracts outstanding has nothing to do with the premium volume in the index pool, and I never said that it did. Clearly, Mr. Lewis believed that I felt these were somehow linked when he wrote his article. ■

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Mr. Sherman

This month's column on actuarial issues in the casualty field is written by Richard E. Sherman, a principal with Coopers & Lybrand in San Francisco. William J. Miner, an actuary with The Wyatt Co. in Chicago, answers actuarial questions in the benefits field. Susan M. Werner, director of risk management at Hardee's Food Systems Inc. in Rocky Mount, N.C., answers risk management questions. And, Joseph W. Duva, director of employee benefits at Allied-Signal Inc. in Morristown, N.J., answers benefits management questions.

Mr. Sherman's and Mr. Miner's columns appear alternately on the first Monday of each month. Ms. Werner's and Mr. Duva's columns appear alternately on the second Monday of each month. Mr. Sherman's next column will appear in March.

Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.

Accident prevention a business asset

By Vincent Bamford

THE CONCEPT OF safety as a component of profitability is not new. It's been around for a long time and is accepted as a way of doing business. A poor accident experience can produce insurance costs that can make a business unprofitable. It follows that there is a strong profit incentive to control accidents in any type of business.

All too frequently the actual cost of an accident is neither understood nor fully appreciated. The direct costs of an accident that can be readily tabulated and evaluated are:

- Workers compensation payments.
- Medical expenses.
- Legal expenses.
- Indemnity payments.
- Property damage.

The indirect costs of an accident, however, are more subtle, very difficult to document, frequently unobserved and always much more expensive than the direct costs. Let's consider some of these indirect costs, like:

- Lost time of workers who give first aid or medical treatment to an injured worker or who stand around and look out of curiosity.
- Damaged equipment, including repair costs and costs to rent or lease replacement equipment.
- Decreased production due either to inefficiency of the substitute for the injured worker or to working short-handed.
- Time lost by the supervisor while assisting the injured, investigating the accident, giving instructions, preparing reports, attending hearings, etc.
- Failure to meet schedules, loss of employee morale and loss of client confidence.

To put all of this in a realistic perspective, let's consider an accident in which the direct cost of injuries to a worker amounted to $10,000. The indirect costs are $40,000. Only the $10,000 in direct costs is insured; the remainder has to be paid by the employer out of profits.

The only way that accident costs—both direct and indirect—can be held to a minimum is through an active accident prevention program. Greater savings in accident costs can only mean better profits for the employer.

Up to this point, I have tried to explain why there is a need for establishing a loss control program. Let's now consider how to go about doing it.

First, a definition of "accident" is needed. The one I like to use is: "An accident is an unintended event that interrupts production." But, if an accident is unintended, is it possible to control it? Yes, because unintended does not mean unforeseen.

Practically all accidents could have been foreseen, not perhaps in each specific case, but in sufficient numbers so that a well-planned loss control program could identify a good number of accident-causing situations and preventative action

Continued on page 30

Chicago Fire, October 11, 1871.

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ITT Hartford has been protecting the lives of Americans and the livelihood of America since 1810. During the past 180 years, we've faced our share of tests.

Tough tests. By the elements. By the economy. And everything in between.

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If anyone doesn't think so, put us to the test.

ITT HARTFORD

When you need us most, we're at our best.

Accident prevention

Continued from page 28
could be taken.

Establishing an effective loss control program requires some management decisions, the most important of which is the decision to give such a program full management support and direction. Unless a strong management commitment is made, any loss control program is doomed to failure, regardless of all the safety manuals, posters or any other visible signs or symbols that one associates with a safety program.

Those who work as safety professionals believe that once they have gained top management support, they are well on their way toward developing a realistic program for controlling injuries and reducing property damage.

Assuming that we have gained management support, our next step is the actual implementation of a loss control program. Part of the program may involve training, and that can take many forms, ranging from a short pep talk to well-structured and organized classroom presentations. Each type of training has advantages.

I suggest, however, that training is not always obvious or direct or even realized, since the purpose of training is to educate, and to educate means to expand, strengthen and discipline the mind. Education can take many roads, and what may work best for one company may not work at all for another.

In deciding where and with whom training should start, the objective should be to start at the highest level possible. If you already have the support of top management, you or someone else already has educated management, and you can start at a lower level.

The kingpin in a safety program, in any case, will be the supervisor, for he or she is the person on the firing line and the key to production. This person must be trained to know his or her responsibility for safe production operations. It also will be necessary for management to make the supervisor accountable for the control of accidents as well as for production. Once the supervisor is properly motivated to accept responsibility for loss control, he or she only needs a reminder of what is already known to make the safety program work.

I have saved the most difficult, and perhaps the most important, aspects of worker safety for last: those dealing with attitudes. It may not be possible to change unfavorable, long-standing, ingrained attitudes, but it is certainly possible to modify them. This can be done by providing incentives that are strong enough to mitigate unfavorable attitudes. In addition, by the use of organizational psychology, a company can build into its management structure a means of modifying worker behavior.

The perception by employees of safety and safe behavior originates in the attitudes of top management. As a minimum, a safety policy statement and participation by top management in safety activities are necessary to create the perception. To further support the employee's awareness of management's attitude toward safety, top management can create a safety staff of sufficient size and with sufficient power to make it clear that management means business on safety matters.

There are several steps that must be taken to make sure that line managers pay attention to safety and to help them produce positive changes in worker behavior and attitudes toward safety.

First, management must describe and evaluate jobs and job performance and assign safety-related elements with enough weight to ensure proper attention to safety management.

Failure to do this will cripple a safety effort at the managerial level.

Next, see to it that workers know that managers and supervisors are held accountable for safety and that they too will be held accountable. This means that workers should receive direct feedback from their manager after every accident in which it is determined that the workers' acts played a causative role. The nature of the feedback is not that important; it's the fact that the feedback comes from the boss that matters.

Once managers and supervisors have been made accountable for safety, they must be given the tools to allow them to follow through with a safety effort. Let's call these tools "power sources." The two most important are:

- Organizational power, or the degree to which leaders have been granted authority within the organization. Here, organizational power must explicitly involve responsibility and accountability for safety.
- Expert power, or the degree to which the worker perceives that his boss knows more about a subject—in this case safety—than the worker does. This will greatly influence the worker's willingness to accept safety direction from the boss.

In order to create positive safety attitudes, safety should be stressed with workers when they first join the company. New workers are highly impressionable and have little previous experience that can interfere with learning. Workers' early experiences with an organization thus affect their long-term behavior and attitudes.

It has been shown that there is a correlation between a worker's attitude toward safety and the attitude of his immediate supervisors.

I have discussed training previously, but training is only of value when skills have to be learned or, in some cases, when the educational process can have some bearing on attitudes. Where the problem is one of alerting a behavioral pattern, then you should think in terms of behavior modification.

Behavior modification is based on the principle that people will act by a set of rules if they are "paid" or reinforced in a direct, immediate and constant manner. Behavior modification is concerned with maintaining already safe behavior and modifying unsafe behavior. It is not concerned with imparting new skills, which is a job for the trainer.

Normally, things that people "can't do" can be solved through training, while things they "won't do" can be solved through behavior modification. As a result, training can be overused. When training is used to solve a "won't do" problem, it invariably fails.

Behavior modification is a technique based on reinforcement of desired behavior. Realistically, there are only two kinds of modifiers: reward and punishment, or "reinforcers" and "negative reinforcers." Reinforcers increase the likelihood of behavior, while negative reinforcers decrease the likelihood of behavior.

It would seem that accidents and injuries can act as inherently effective negative reinforcers to unsafe behavior. This would be the case if unsafe acts were always followed by pain, embarrassment, reprimand, etc. This doesn't happen, though, because it is rare that an unsafe act results in an accident, pain, embarrassment or reprimand.

Reinforcers that are normally but not necessarily used in work situations include attention, status, privileges, promotion, recognition, bonuses, pay increases and extra vacation time.

Negative reinforcers are reprimands, threats of loss, fines and loss of a job.

Obviously the concept of reinforcement isn't very complicated. Why, then, aren't reinforcers used more frequently to modify or maintain safe behavior in work situations? Because the power of reinforcers to influence behavior isn't apparent unless the most appropriate reinforcers available are identified. Identifying appropriate, already-existing but unused or untapped reinforcers requires some digging.

Although money, time off, gifts and other tangible reinforcers work well, they involve some expense if they are to be used immediately and consistently. But monetary or other tangible reinforcers are not always necessary, since humans respond very well to social reinforcement, and this does not cost money.

There are three kinds of social reinforcement: supervisory, peer and vicarious. Supervisory reinforcement includes all reactions from the boss, including praise, attention, laughter and even facial gestures. Peer reinforcement is accomplished through the use of some visible means to publicize safe behavior and the reinforcement extended to some workers. The publicity itself serves as peer-type social reinforcers for the rewarded employee.

This leads naturally to vicarious reinforcement. This refers to the modification of the behavior of an individual through his observation of the reinforcers received by others. The simple observation of both the tangible and social consequences given to others as a result of safe behavior provides a powerful tool for improving the behavior of others.

In summation, behavior modification is that behavioral approach that aims at modifying the action of workers through the engineering of consequences to behavior. Organizational psychology is the behavioral approach that aims at modifying the attitudes of workers through management organization, staffing and management/employee collaboration on safety matters.

Both approaches overlap and interact with each other to a certain degree, and the application of both simultaneously is essential in order to realize a strong, persistent and beneficial change in worker safety. ■

Vincent Bamford is head of loss control for The Bamford Insurance Agency in Westfield, Mass.

Aggravation of heart disease compensable

Legal briefs

A work-related occurrence of a disabling symptom of an underlying heart disease is compensable under the workers compensation law of Arkansas, according to the state Supreme Court.

John Paul Cox had a history of heart disease going back to 1977. In November 1986, due to unusual circumstances, Mr. Cox was required by his employer to work extra long hours over a three-day period. He suffered chest pain and was disabled and hospitalized.

Mr. Cox was diagnosed as having a pre-existing heart condition; namely, single-vessel coronary heart disease. The diagnosing physician stated that Mr. Cox's working conditions aggravated angina, a symptom of his condition. Mr. Cox filed for benefits but was denied.

The appellate court said that there was no question that Mr. Cox's condition was disabling; however, the central issue was whether he suffered an "injury."

The employer argued that Mr. Cox's experience cannot constitute an injury unless there was a change, such as an infarction that damages heart tissue, in his physical condition.

The court stated that it saw, "no reason to hold that a person who is disabled from pain causally related to his or her employment and resulting from an underlying physical condition should be any less entitled to workers compensation benefits just because there is no change in that underlying condition." Mr. Cox was granted benefits.

Nashville Livestock Commission vs. Cox, Supreme Court of Arkansas, April 16, 1990 (*BI*/02/Feb.-$10). ■

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

Loss control/property

• A brochure from Schirmer Engineering Corp. addresses **sprinkler retrofitting** and other services available from fire protection consultants. Write 1101 on the reader service coupon.

• A brochure from Munters Moisture Control Services describes its desiccant-based drying service, which **restores and dries buildings after water damage** has occurred. Write 1102 on the reader service coupon.

• "How To Avoid a PCB Accident," a report from ENSR Operations, explores regulations, risks and insurance issues associated with **owning PCB equipment.** Write 1103 on the reader service coupon.

• A quarterly publication from Industrial Risk Insurers provides case histories, seasonal ideas, loss analyses and industry profiles to help **prevent and control losses.** Write 1104 on the reader service coupon.

• A booklet offered by Industrial Risk Insurers lists its publications, charts, films and videotapes that cover subjects such as **fire extinguishers, sprinklers, hazardous materials and fire brigades.** Write 1105 on the reader service coupon.

• "Loss Prevention and Your Business," a package from Chubb Corp., helps **businesses evaluate and identify hazards in the workplace.** Instructions on starting a loss prevention program are included. Write 1106 on the reader service coupon.

• A Crawford & Co. brochure describes the company's **environmental pollution claim services.** Write 1107 on the reader service coupon.

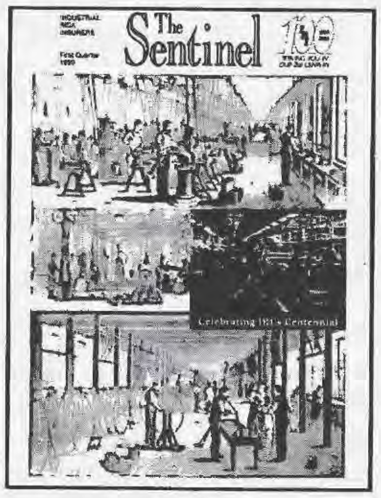
• A brochure offered by Risk Management Services Inc. analyzes exposures involved in **health care facilities' handling of hazardous waste.** A description of loss control techniques is given. Write 1108 on the reader service coupon.

• A publication from EQE Engineering explores new developments and applications of **earthquake engineering to problems of risk management and safety worldwide.** Write 1109 on the reader service coupon.

• An illustrative aid offered by Crawford & Co. Risk Control Services/The FPE Group, **assesses the fire spread potential within a complex of buildings.** For a copy, write 1110 on the reader service coupon.

• "White Collar Crime: Loss Prevention Through Internal Control," a handbook from Chubb Corp., details potential **losses companies face due to white-collar crime.** Write 1111 on the reader service coupon.

• The Institute for Liability Management, a division of Gallagher Bassett Services Inc., provides a brochure describing how to increase effectiveness and reduce liability exposures in **law enforcement and corrections.** Write 1112 on the reader service coupon.



• The 100th anniversary issue of "The Sentinel," an Industrial Risk Insurers publication, reviews a century of the company's **loss prevention service and previews future activities.** Write 1113 on the reader service coupon.

• A flier from the Insurance Institute of America describes its **Associate in Loss Control Management designation program,** designed for insurance professionals responsible for controlling accidental losses. Write 1114 on the reader service coupon.

• An article provided by M.F. Bank Restoration Co. details elements of **computer and electronic device restoration.** Cutting costs is emphasized. Write 1115 on the reader service coupon.

• A guide summarizing federal laws and regulations on **environmental risks** is available from Risk Management Services Inc. Write 1116 on the reader service coupon.

• A brochure from Crawford & Co. details the company's **range of catastrophe claims services.** Write 1117 on the reader service coupon.

• A catalog from Vale National Training Center lists course descriptions and schedules for **auto, tractor-trailer and residential property damage estimating.** Write 1118 on the reader service coupon.

• An Industrial Risk Insurers guide summarizes **jurisdictional boiler and pressure vessel inspection laws** for 29 U.S. cities, all states, Puerto Rico and all Canadian provinces and territories. Write 1119 on the reader service coupon.

• Risk Management Services Inc. offers a guide to assess and handle potential **liability risks posed by underground storage tanks.** Details of Environmental Protection Agency regulations are included. Write 1120 on the reader service coupon.

• A booklet providing instruction in **controlling environmental pollution catastrophe claims and costs** is available from Crawford & Co. Measures to take before, during and after a spill are included. Write 1121 on the reader service coupon.

• An Industrial Risk Insurers publication discusses **infrared inspection equipment,** which can detect potential hazards not found by traditional maintenance systems. Write 1122 on the reader service coupon.

• Risk Management Services Inc.'s approach to dealing with **safety and loss control for laboratories** in schools or research facilities is discussed in an article from the company. Write 1123 on the reader service coupon.

• A booklet from Crawford & Co. lists its **property claims services and standards.** Loss estimates, ethics and service time requirements are covered. Write 1124 on the reader service coupon.

Marine

• An Insurance Institute of America flier describes its **Associate in Marine Insurance Management designation program.** The course is designed for those wishing to identify inland and ocean marine loss exposures and analyze marine insurance contracts. Write 1201 on the reader service coupon.

Reinsurance

• California Interactive Computing Inc. offers a description of a software module that **automatically tracks and reports on reinsurance levels by policy.** Write 1301 on the reader service coupon.

• A flier from the Insurance Institute of America describes its **Associate in Reinsurance designation program.** Its four courses are designed for professional reinsurers, reinsurance intermediaries, reinsurance buyers and others. Write 1302 in the reader service coupon.

• North American Reinsurance Corp. offers a description of its reinsurance programs. Areas covered include **claims management, rehabilitation and environmental claims.** Write 1303 on the reader service coupon.

• Reinsurance Educator Newsletter provides **reinsurance information on techniques, markets, products and services.** For a copy, write 1304 on the reader service coupon.

• A booklet from American Re-Insurance Co. summarizes considerations for **claims technicians** in the United States and Canada when evaluating and reserving a claim. Write 1305 on the reader service coupon.

• A **glossary of life/health and property/casualty terms** used in reinsurance is available from Gill & Roeser Inc. Write 1306 on the reader service coupon.

• "Practical Guide to Financial Reinsurance," a book by Andrew Barile, explains various **types of financial reinsurance agreements, including copies of actual contracts.** For a flier, write 1307 on the reader service coupon.

• VISION **facultative and treaty reinsurance management systems** from Insurance Data Processing Inc. is available on minicomputers for reinsurers and features real time, underwriting experience reports, loss development studies and earthquake analyses. For an introductory package and videotape on the company, write 1308 on the reader service coupon.

• An American Re-Insurance Co. booklet offers guidelines for claims administrators in establishing **reserve estimates for traumatic brain injury cases.** Write 1309 on the reader service coupon.

• An article, "What Makes Financial Re Different?" is adapted from a sourcebook by Andrew Barile of Andrew Edwards & Co. Inc. and explains **how financial reinsurance differs from traditional reinsurance.** For a reprint of the article, write 1310 on the reader service coupon.

Risk management

• In an reprint available from Scott Wetzel Services Inc., President John R. Harrold examines the pros and cons of two schools of thought for **loss reserving**: exposure vs. ultimate probable cost. Write 1401 on the reader service coupon.

• A series of bulletins covering loss control and **risk management procedures for the construction industry** are available from Construction Industry Services Corp. Write 1402 on the reader service coupon.

• An article exploring **environmental liability** and prevention techniques is offered by The Traverse Group Inc. Liability associated with the purchase of contaminated property is also discussed. Write 1403 on the reader service coupon.

• A description of all **property and casualty insurance courses** offered by the American Institute for Property & Liability Underwriters and the Insurance Institute of America is provided in a booklet available from the institutes. Write 1404 on the reader service coupon.

• A pamphlet from Clayton Environmental Consultants Inc. discusses **environmental risk management and regulatory compliance.** Environmental risks representing the greatest legal and financial exposures and liabilities are emphasized. Write 1405 on the reader service coupon.

• An article focusing on **lawyers' professional liability exposures** is provided by Associated Claims Enterprises Inc. Write 1406 on the reader service coupon.

• A reprint of an article from Scott Wetzel Services Inc. deals with **investigation and litigation management approaches** for actions that may be brought by former employees including breach of contract, bad faith, age and sex discrimination. Write 1407 on the reader service coupon.

• Complete Equity Markets Inc. offers a handbook for that outlines procedures to **eliminate sexual harassment in the workplace** and thereby reduce an employer's liability for this problem. Write 1408 on the reader service coupon.

• A Crawford & Co. directory lists more than 800 offices that provide claims, health and rehabilitation, **risk control and risk management services.** Write 1409 on the reader service coupon.

• An annual report from the Minet Group P.L.C. describes its brokering and **risk management services.** Write 1410 on the reader service coupon.

• "Risk Review," a quarterly newsletter with **topics of interest to risk managers and claims personnel,** is available from Crawford & Co. Write 1411 on the reader service coupon.

• A package offered by Zurich-American Insurance Group details its Special Risk Division and how it can **assist business with risk management problems.** Write

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1412 on the reader service coupon.

• A brochure from Crawford & Co. lists its **risk management service centers** in the United States and Canada. Write 1413 on the reader service coupon.

• A flier discussing a report co-authored by Dan A. Bailey of the law firm Arter & Hadden and Kenneth S. Wollner of The Wyatt Co. covers legal and economic issues involved in **constructing a directors and officers risk financing plan.** Write 1414 on the reader service coupon.

• A Crawford & Co. brochure highlights its **underwriting risk analysis service**, which is designed to give accurate and balanced analyses of complex risks and/or risks involving serious exposures. Write 1415 on the reader service coupon.

• "Utility Insurance Update," a monthly digest of **trends and developments of interest to risk managers,** is offered by Stone & Webster Management Consultants Inc. Write 1416 on the reader service coupon.

• A brochure from Crawford & Co. details its services designed to **control the cost of vehicle damage repair.** Write 1417 on the reader service coupon.

• The Insurance Institute of America's three-course **Associate in Risk Management designation program** is described in a flier. Write 1418 on the reader service coupon.

• A newly revised Crawford & Co. booklet, "137 Questions to Ask Yourself Before Your Next Review," contains questions and answers addressing a variety of **risk management concerns:** claims management administration, vocational/medical rehabilitation, risk control and finance. Write 1419 on the reader service coupon.

• A booklet from International Claims & Litigation Management Group Inc. provides information on its services for **dealing with catastrophic and complex exposures.** ICALM services include planning for catastrophes, emergency procedures, litigation management, governmental investigations loss prevention and remedial action and workers compensation risk protection. Write 1420 on the reader service coupon.

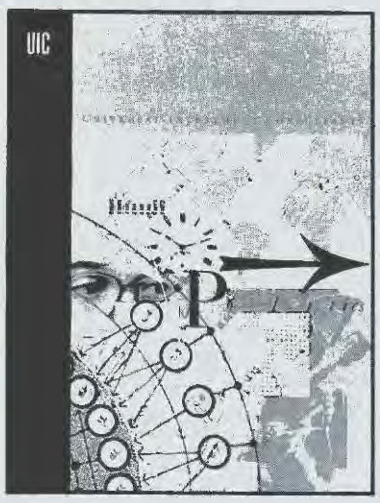
• A review from Risk Management Services Inc. examines **risks assumed through mergers or acquisitions.** What to look for in an analysis of a firm's current exposures, liabilities and insurance programs is included. Write 1421 on the reader service coupon.

• A brochure offered by Crawford & Co. explains **the differences between a typical risk inspection and underwriting risk analyses** provided by the company. Write 1422 on the reader service coupon.

• "CRS Review," a semi-annual publication devoted to worldwide issues within the **alternative risk financing marketplace,** is offered by Commonwealth Risk Services Inc. Write 1423 on the reader service coupon.

• A directory offered by Crawford & Co. lists its offices that deal in **risk management services,** including risk control, claims services, health care management and information systems. Write 1424 on the reader service coupon.

• A brochure offered by Commonwealth Risk Services Inc. explains "The Funding Application" program, a **cost-plus funding technique for insureds with hard-to-place or prohibitively-priced coverages.** Write 1425 on the reader service coupon.



• A UIC Ltd. report provides information on its **political risk insurance coverages,** a highly specialized and growing field in the international trade and investment arena. Write 1426 on the reader service coupon.

• An article from Crawford & Co. points out **differences between case and financial reserves** and the dangers of altering case reserving practices to correct deficiencies in financial reserves. Write 1427 on the reader service coupon.

• InPhoto Surveillance offers a booklet describing how to avoid problems when using **video surveillance on a claimant.** The booklet, which takes a risk managers's viewpoint, focuses on what must be on tape to ensure courtroom admissibility. Write 1428 on the reader service coupon.

• An article provided by Marsh & McLennan Inc. discusses the **insurance industry's state regulatory mechanism** in the United States. A proposal for a two-tier regulatory system for property/casualty insurance is included. Write 1429 on the reader service coupon.

• Transamerica Insurance Finance Co. points out the benefits of **financing insurance premiums** in a new booklet, including how it can provide an alternative source of credit and improve a company's cash flow. Write 1430 on the reader service coupon.

Risk management information systems

• A booklet from Risk Sciences Group Inc. serves as a 43-step checklist for risk managers to thoroughly **evaluate the data collection and system capabilities** they require before modifying and operating their risk management information system. Write 1501 on the reader service coupon.

• California Interactive Computing Inc. provides a 15-page presentation on **how to design and select a risk management information system.** Write 1502 on the reader service coupon.

• Fliers from McDonnell Douglas Corp. describe its **workers compensation information system** and discuss the advantages of an automated policy system, the importance of cost containment and how an automated claims system assists during litigation. Write 1503 on the reader service coupon.

• A package of flyers from Risk Sciences Group Inc. explains the **Sigma System** and its capabilities. Data maintenance, custom options, claims self-administration and five other modules/areas of interest are reviewed. Write 1504 on the reader service coupon.

• A newsletter from California Interactive Computing Inc. explores **risk and claims software topics.** For a copy, write 1505 on the reader service coupon.

• David Corp. offers a diskette demonstrating its **automated workers compensation claim, property and casualty claims and liability risk management** system. Self-guided pop-up windows detail specific options. Write 1506 on the reader service coupon.

• A flyer describes Marshall & Swift's PC-based **software program for estimating reconstruction and repair costs** for all kinds of light commercial and residential property damage. Write 1507 on the reader service coupon.

• PACCASSO, a software system handling **property/casualty claims administration and risk management reporting** on the IBM AS/400 mid-range computer, is offered by Conway Computer Consultants Inc. For a brochure, write 1508 on the reader service coupon.

Self-insurance

• A description of SW Systems Inc.'s **automated benefit administration package** is available in a folder that includes material on claims processing, cost containment, premium billing, COBRA administration and more. Write 1601 on the reader service coupon.

• **"Claims Administration: Doing It Your Way,"** an audio tape developed by Resource Information Management Systems Inc., discusses operational considerations, staffing requirements, cost benefits and other topics involved in self-administration. Write 1602 on the reader service coupon.

• A reprint from Spencer's Research Reports offered by Thomas L. Jacobs & Associates Inc. discusses **how health care claims administration costs can be controlled** and provides an analysis of the effectiveness of cost control measures. Write 1603 on the reader service coupon.

• A Confederation Life Insurance Co. survey of 150 corporate benefit managers and 130 independent brokers and consultants analyzes the **needs and requirements of medium-sized corporations that self-fund their health benefit plans.** Write 1604 on the reader service coupon.

• "A Guide to Self-Insurance Services," published by SIEX Inc., contains an extensive listing of **services a self-insured property/casualty or group benefit program should consider.** The listing covers key consulting, claims, financial, medical, systems and legal services. Write 1605 on the reader service coupon.

• A booklet providing an overview of the International Claims Assn.'s 1991 claims education programs is available from LOMA/Life Management Institute. Write 1606 on the reader service coupon.

• Safety Mutual Casualty Corp. offers an introductory guide to **self-insuring workers compensation exposures.** The booklet explains excess coverage, steps to becoming self-insured and a glossary of terms and information required by excess underwriters, TPAs and regulators. Write 1607 on the reader service coupon.

• Self-Insurance Marketing Service, a quarterly booklet offered by SIEX Inc., gives risk management vendors an outline of market size, client types and key services to follow when **marketing their services to the self-funded marketplace.** Write 1608 on the reader service coupon.

• The Self-Insurance Institute of America Inc. publishes "Who's Who in Self-Insurance Services," **an annual directory of SIIA member companies' products and services** for interested buyers and managers. For a copy, write 1609 on the reader service coupon.

• Crawford & Co. offers a booklet outlining its **standards for quality vehicle claims services.** These include service time requirements, quality control mechanisms, reporting requirements and ethics. Write 1610 on the reader service coupon.

• A booklet from California Interactive Computing Inc. describes **risk and claims software systems for self-insured corpora-**

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tions and public entities. Among other things, the software automates claims administration for workers compensation, property/casualty and group medical programs. Write 1611 on the reader service coupon.

• The National Assn. of Employee Benefit Administrators offers a brochure detailing **services that should be delivered by third-party administrators of employee benefit programs.** Write 1612 on the reader service coupon.

• A booklet from Crawford & Co. describes its **standards for quality casualty claims services**, including customer service, service time requirements, reporting requirements, quality control measures and reserves. Write 1613 on the reader service coupon.

• A how-to guide from InPhoto Surveillance covers the strategies of **self-insurers using surveillance tapes** in settlement negotiations and at trial. The guide also discusses editing and disclosure strategies. Write 1614 on the reader service coupon.

• A description of SIEX Inc.'s **risk management vendor locator service**, which classifies providers by service discipline—such as consulting, claims, medical, underwriting, etc.—is available. Write 1615 on the reader service coupon.

• Frontier Claim Service offers a report on key **services that self-insured property/casualty programs should look for** in their regional claims administrator. For a report, write 1616 on the reader service coupon.

• Liberty Mutual Insurance Co. offers a pamphlet describing the **services available for self-insured workers compensation programs** from its subsidiary, Helmsman Service Plan. Write 1617 on the reader service coupon.

• The VISION Claims Tracking System from Insurance Data Processing Inc. is a **PC-based workers compensation claims tracking system for self-insurers.** Write 1618 on the reader service coupon.

• A folder from American Technical Services introduces its **workers compensation, general liability, group health and risk analysis claims administration systems for self-insured companies.** Write 1619 on the reader service coupon.

• A reprint of a seven-page article by Andrew Barile of Ambel Consultation Services Inc. explains the types of new **financial insurance products available to self-insured corporations.** Write 1620 on the reader service coupon.

• A Crawford & Co. directory lists its **claims services offices** throughout North America. Write 1621 on the reader service coupon.

Workers compensation

• A Crawford & Co. article looks at the **workers compensation system from an injured worker's viewpoint.** Write 1701 on the reader service coupon.

• An article offered by Beech Street Inc. summarizes the report of a **cost containment committee of the 1989 Workers Compensation Congress.** Medical cost increases and what can be done to reverse the trends are covered. Write 1702 on the reader service coupon.

• A guide from Specific Software Solutions outlines steps to compute the workers compensation **modification factor.** Write 1703 on the reader service coupon.

• A booklet detailing Crawford & Co.'s control standards in workers compensation **claims services** is available from the company. Write 1704 on the reader service coupon.

• GAB Business Services Inc. offers a booklet summarizing workers compensation **self-insurance requirements** by state. Write 1705 on the reader service coupon.

• "Forum," a magazine provided by Intracorp, is published for employee benefits decision makers, claims managers, TPAs and consultants. Trends in **health care cost control and disability management** are emphasized. For a copy, write 1706 on the reader service coupon.

• A questionnaire which **evaluates the status of workers compensation** programs is available from Working Solutions Inc. Write 1707 on the reader service coupon.

• A product data sheet from California Interactive Computing Inc. describes the GenComp software solution for **managing claims of self-insured workers compensation programs.** Write 1708 on the reader service coupon.

• A CNA Financial Corp. leaflet outlines **lawsuits in the workers compensation system.** Advice on trimming litigation costs is included. Write 1709 on the reader service coupon.

• An overview of medical costs for workers compensation is offered by Preferred Health Network. Details of a program developed by CompPro of California Inc. which **controls costs of workers' compensation medical care** is included. Write 1710 on the reader service coupon.

• An article pointing out large **medical costs increases in workers compensation claims,** "Workers Compensation Cost Containment. . .Is It Hopeless," is offered by Beech Street Inc. A solution to containing costs is proposed. Write 1711 on the reader service coupon.

• A Crawford & Co. report explores different methods of evaluating workers compensation **provider bill audits.** Write 1712 on the reader service coupon.

• An article from Riverfront Medical Services discusses the differences between the **bulging lumbar disc and herniated disc** back ailments. Write 1713 on the reader service coupon.

• A brochure provided by CNA Financial Corp. gives employees tips on lowering premiums by **emphasizing safety measures and encouraging prompt claims reporting and early return-to-work programs.** Write 1714 on the reader service coupon.

• "Behind the Scenes of the Workers' Comp Crisis," an article provided by FOCUS Healthcare Management Inc., looks at the effects of **medical cost management techniques.** PPOs, utilization review, physical therapy case management and medical desk review are discussed. Write 1715 on the reader service coupon.

• A brochure from Crawford & Co. describes a program that guarantees overall savings on its **workers compensation medical expenses.** Savings are maximized by provider bill fee schedule audits, provider bill medical review audits, hospital bill audits and a preferred provider network. Write 1716 on the reader service coupon.

• A brochure from Zurich-American Insurance Group provides specifics on handling **workers compensation claims.** Write 1717 on the reader service coupon.

• "Medical Cost Containment. . .Rx For the Workers Compensation System," a leaflet from CNA Financial Corp., describes how **rising medical costs** are hurting the workers compensation system. Write 1718 on the reader service coupon.

• A review provided by Risk Management Services Inc. can be used to **lower workers comp insurance costs and reduce losses.** Write 1719 on the reader service coupon.

• An examination of the newly revised **Texas Workers Compensation Act** is offered by Crawford & Co. For a copy, write 1720 on the reader service coupon.

• Riverfront Medical Services offers an article on effectively dealing with **workers compensation insurance fraud and abuse.** Write 1721 on the reader service coupon.

• An article offered by Beech Street Inc. summarizes a study of **medical benefits in the workers compensation system.** The piece compares Minnesota's compensation medical costs to non-compensation medical costs in the state and other states' workers compensation medical costs. Write 1722 on the reader service coupon.

• A report from CYBEX describes its **back testing, rehabilitation and screening methods** as ways of reducing back care costs. Accurate, reproducible documentation of injury and functional capabilities in disability cases is provided. Write 1723 on the reader service coupon.

• A Crawford & Co. booklet outlines its services to **reduce workers compensation medical expenses.** Services covered include: utilization review, medical case management, Sentinel provider and hospital bill audits and a return-to-work system. Write 1724 on the reader service coupon.

• A brochure provided by the International Risk Management Institute outlines state and national information found in a workers compensation classification manual. **State exceptions, classification interpretations and classifications by industry** are included. Write 1725 on the reader service coupon.

• "Toward a Healthier Workplace," an article offered by Riverfront Medical Services, outlines **occupational health care services.** Write 1726 on the reader service coupon.

• A report from Crawford & Co. examines **California's workers compensation system** and possible changes due to the Margolin Act, as well as implications for California employers and a flow chart showing the state's new system of fines and penalties. Write 1727 on the reader service coupon.

• A pamphlet from CNA Financial Corp. describes the operation and problems associated with **risk pools** and offers suggestions for shrinking risk pool deficits. Write 1728 on the reader service coupon.

• "Health Care Cost Control," a newsletter provided by Beech Street Inc., discusses **managed care issues for controlling workers compensation costs,** accountability in outpatient care and control of auto/liability. Write 1729 on the reader service coupon.

• Crawford & Co. offers a listing of its **health and rehabilitation office locations** throughout the United States and Canada. Write 1730 on the reader service coupon.

• A booklet from American Re-Insurance Co. serves as a guideline when considering **workers compensation settlements.** An explanation of various forms of settlements and responses to questions presented to 51 jurisdictions are included. Write 1731 on the reader service coupon.

• A leaflet from CNA Financial Corp. provides an overview of **workers compensation problems.** Issues such as rising medical costs, increasing lawsuits and escalating risk pool subsidies are included. Write 1732 on the reader service coupon.

• A review of the **primary casualty/workers compensation market** is offered by Marsh & McLennan Inc. A discussion of problems, alternative markets and emerging strategies to contain workers compensation medical cost increases is included. Write 1733 on the reader service coupon.

• A Crawford & Co. article looks at workers compensation from a **worker's perspective.** Write 1734 on the reader service coupon.

• A report from FOCUS Healthcare Management Inc. offers a practical framework for implementing new cost-containment strategies and and discusses new initiatives in **medical management.** Write 1735 on the reader service coupon.

• An article offered by Beech Street Inc. discusses the need for **controlling workers compensation medical costs.** Write 1736 on the reader service coupon.

• A Crawford & Co. brochure details the company's **claimant evaluations** that provide information from physicians, employers and claimant recipients. Write 1737 on the reader service coupon.

• An article from Riverfront Medical Services discusses workers compensation evaluations. The piece focuses on physical **examinations and imaging of the knee.** Write 1738 on the reader service coupon.

• "On File," a quarterly newsletter provided by Intracorp, is published for **claims adjusters.** Treatment approaches, a glossary of trade words and quality of life articles are included. For a copy, write 1739 on the reader service coupon.

• Hints on how to use **video surveillance on alledgedly disabled claimants** and how to best control costs are given in a leaflet from InPhoto Surveillance. Write 1740 on the reader service coupon. ■

Congress

Continued from page 1

groups will push—just as they did last session—for pension legislation that would simplify complying with the maze of federal requirements.

Congress isn't the only branch of government where vital issues affecting benefit programs will be hammered out this year; the regulatory agencies also will be active.

For example, the Internal Revenue Service is expected to finalize non-discrimination rules for pension plans, while it also may release final 401(k) plan non-discrimination rules. In addition, the Labor Department expects to publish final rules that will ease fiduciary liability worries for employers that give employees different investment choices in their 401(k) and other defined contribution plans (*BI*, Dec. 24, 1990).

"The regulatory agenda on benefit issues is very full for 1991," said Frank McArdle, a consultant in the Washington, D.C., office of Hewitt Associates.

Still, while Capitol Hill faces a slew of benefit issues, momentous benefit events that occurred during the last Congress—like the repeal of the infamous Section 89 and the Medicare Catastrophic Coverage Act—are unlikely to be repeated.

However, Washington observers point out that benefit issues have a way of popping out of nowhere and that the congressional benefit agenda could quickly and unexpectedly change.

"The congressional benefit agenda is a fluid one. It can quickly change in response to a crisis, either real or perceived," Mr. McArdle said.

On the health care side, benefit experts expect a maze of proposals to increase access to health care coverage to the more than 30 million Americans without health insurance.

A new approach to the access question could be unveiled by a bipartisan group of senators—Sens. David Durenberger, R-Minn., Orrin Hatch, R-Utah, Edward Kennedy, D-Mass., Donald Riegle, D-Mich. and John D. Rockefeller IV, D-W.Va.—within the next couple of months.

While the proposal still is being developed, observers say it is likely to be less onerous than a bill proposed in 1989 by Sen. Kennedy that would have required employers to offer a health care plan meeting specified federal standards (*BI*, July 17, 1989; April 17, 1989).

And, still other health care access proposals may be forthcoming.

"We expect a lot of deja vu on health care access proposals with proposals from earlier sessions, such as Sen. Kennedy's, being introduced again," Mr. McArdle said.

While proposals broadening access to health care are likely to be introduced, benefit experts doubt if any action—in the absence of a congressional consensus—will take place during the 102nd session.

"There is a consensus that something should be done. But there isn't yet a consensus on the approach that should be taken," said Howard Weizmann, executive director of the Assn. of Private Pension & Welfare Plans in Washington, D.C.

"A lot of people are looking for a silver bullet to solve the health care access problem. Unfortunately, it does not yet exist," said Stuart J. Brahs, vp-federal government relations in the Washington, D.C., office of The Principal Financial Group.

"Resolution of the health care access problem is still three to five years away," Mr. Brahs said.

The debate over universal access to health care, though, could heat up later this year when a bipartisan commission—officially known as the Social Security Advisory Council—makes its recommendations on improving access to health care coverage.

An internal Department of Health and Human Services task force also may make recommendations on the issue later in the year.

But if legislators are still years away from agreeing on a comprehensive approach to improving access to health care coverage, some benefit experts believe Congress may consider proposals to at least plug some of the health care coverage gaps that currently exist.

"The political system can't deal with sweeping health care access changes. But incremental changes, such as we've seen during the last few congressional sessions, are possible," said Edward J. Davey, a principal with A. Foster Higgins & Co. Inc. in New York.

One possible proposal: allowing workers who take early retirement to continue COBRA health care coverage until they are eligible for Medicare at age 65. Currently, employers must provide up to 18 months of COBRA coverage for workers—regardless of age—terminating employment.

With more companies reducing the size of their workforces, expanding COBRA might be one method legislators may consider to reduce the impact of layoffs on older workers, Mr. Davey explained.

"As long as the problem of 30 million Americans without health insurance is not addressed, Congress will be leaning on COBRA as a stop-gap measure," said Hewitt's Mr. McArdle.

"In these tough times, expanding COBRA is an opportunity for congressmen to show constituents that they are doing something on the health care front," said Sharon Canner, assistant vp-industrial relations with the National Assn. of Manufacturers in Washington, D.C.

"As long as the access question does not progress, you can expect more COBRA expansion-type proposals," Mr. Weizmann said.

Business groups, though, will be working, through the newly organized COBRA Coalition, to convince legislators to reduce employers' COBRA burden.

The most significant change backed by the coalition—which includes the National Federation of Independent Business, the National Assn. of Manufacturers and the U.S. Chamber of Commerce—is allowing companies to charge COBRA coverage recipients a premium of 150% of the regular group health plan rate, up from the current maximum of 102%.

If employers' COBRA burden were eased, it would allow companies to offer better health care

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Congress

Continued from previous page

coverage to all employees, said Carolynn Miller, legislative representative at the NFIB in Washington, D.C.

While legislators may be years away from resolving the health care access question, some experts believe attempts will be made in Congress this year to reduce health care cost increases.

Proposals are likely from Congress and the Bush administration to reduce the vulnerability of physicians and hospitals to medical malpractice claims, explained Dallas Salisbury, president of the Employee Benefit Research Institute in Washington, D.C.

Some experts say physicians order extra—and unnecessary—medical tests because of fears of malpractice suits.

"There is a desire (on the part of Congress) to say 'We have done something' to reduce medical costs," Mr. Salisbury said, referring to the interest in medical malpractice proposals.

Legislators also are likely to discuss employer tax breaks for prefunding retiree health care benefits in the wake of a final rule—to go into effect in 1993—by the Financial Accounting Standards Board that will require employers to recognize retiree health care liabilities as they are accrued rather than as paid.

This change will wallop many employers' financial statements (*BI*, Dec. 17, 1990).

Proposals, benefit experts say, are expected from Rep. Rod Chandler, R-Wash., and Sen. John Heinz, R-Pa., that would allow employers to make contributions to special trusts to prefund retiree health liabilities with the investment income on trust assets earning tax-free interest.

But congressional action on such proposals is unlikely because of concerns about the impact of any new tax breaks on the federal budget deficit.

While there is a general congressional agreement that prefunding of retiree health care benefits should be encouraged, there is no agreement on how this can be done without a huge loss of federal tax revenue, said Ken Feltman, executive director of the Employers Council on Flexible Compensation in Washington, D.C.

Benefit experts also expect proposals to tax employees on employer-provided health care coverages to be resurrected. While such proposals in the past have never cleared a congressional committee, that doesn't mean they are dead and buried.

"Any proposal that raises revenue is never dead. Such proposals come up again and again, and this session will be no exception," said Mr. Feltman.

Others, though, say legislators will, because of intense opposition, reject any efforts to tax health care benefits.

"Health care taxation is a nonstarter. If Congress thought folks got mad over Section 89, that would be nothing compared to the public anger if health care benefits were taxed," Mr. Salisbury said.

"As long as the need for revenue continues, the issue of health care benefit taxation is never over. But right now, it is politically unsalable," Mr. Weizmann said.

But benefit taxation proposals could take a new twist this year. Mr. Davey, for example, believes benefit taxation proposals might be structured so that only highly compensated employees would be taxed on their benefits.

Such an approach could reduce, though it would not end, opposition to taxing health benefits.

And, in a sign that another issue from the last session has not gone away, legislation proposed by Rep. William Clay, D-Mo., would require employers to offer employees up to 12 weeks of unpaid job-protected family leave. An identical bill was vetoed by President Bush last year; the House later failed to override the veto.

Some experts believe the so-called parental leave bill could face an uphill battle this session (*BI*, July 30, 1990, July 9, 1990).

"Congress would be reluctant to mandate additional costs on employers during an economic recession," said Henry Saveth, a Foster Higgins principal in New York.

Others, though, say a scaled-back bill, one that would allow job-protected leaves only for the birth of a child and not for family illnesses, might be proposed to avert a presidential veto.

Rep. Clay's bill would allow leave to be used to care for a seriously ill child, spouse or parent, as well as the birth or adoption of a child. Unpaid leave also could be taken for an employee's own medical illness.

Meanwhile, a potential financial crisis could drive Congress to consider and possibly to act to give the PBGC more protection from big losses when companies terminate underfunded pension plans.

Just three years ago, Congress enacted sweeping legislation to shore up the agency. Among other things, Congress substantially boosted premiums employers with defined benefit plans pay the agency, as well as made it more difficult for companies to dump underfunded plans and accelerated payments companies must make to fund plan liabilities (*BI*, Dec. 28, 1987).

PBGC officials say the 1987 law was a good first step toward putting the agency on a healthier financial footing.

Indeed, the agency has reduced its deficit to about $1 billion from a 1986 peak of $4 billion, thanks to higher premiums, a Supreme Court decision last year allowing it to return three massively underfunded LTV Corp. pension plans and the absence of any big pension claims.

But, once again, the pendulum may be swinging against the PBGC. The agency could face a $700 million loss from the termination of seven underfunded Eastern Air Lines Inc. pension plans. The PBGC has filed a claim in U.S. Bankruptcy Court against Eastern's parent, Continental Airlines Holdings Inc., for collateral Continental pledged but did not pay on behalf of Eastern (*BI*, Dec. 10, 1990).

And, the PBGC could face an even bigger claim from another financially troubled airline, Pan American World Airways Inc. (see Update, page 2).

While the 1987 reform law made "real progress" in reducing the PBGC's vulnerability to big pension losses, "more steps need to be taken," said PBGC Executive Director James Lockhart III, noting that a new legislative package is under consideration.

Elements of a new reform package, he said, could include stiffer pension funding rules for underfunded plans; limitations on PBGC-guaranteed benefits, like benefits that are triggered by plant shutdowns; clarification of the PBGC's status as a creditor in bankruptcy courts; and, as a last resort, higher premiums.

Congress voted to increase PBGC premiums less than three months ago (*BI*, Nov. 5, 1990). As of Jan. 1, employers with defined benefit plans pay—depending on the financial condition of their pension plans—annual PBGC premiums of between $19 and $72 per participant.

Observers say, though, that it will likely take a massive financial crisis for Congress to act on PBGC reform legislation.

"It will take some large, highly publicized terminations and the commitment of key legislators to get PBGC legislsation passed," Mr. McArdle said.

However, some members of Congress—because of concerns about the financial solvency of the life insurance industry—may attempt to expand PBGC benefit guarantees.

Currently, when an employer terminates a fully or overfunded pension plan, it must purchase annuities from a commercial insurer to guarantee benefits to plan participants.

If the insurer fails, the PBGC does not guarantee the benefits, though a portion of participants' benefits may be protected by state guaranty funds.

If annuity insurers collapse, congressional interest in requiring the PBGC to step in and protect beneficiaries could increase.

"Many members of Congress are not aware that PBGC guarantees do not extend to annuitants," said EBRI's Mr. Salisbury.

"There will be general interest in expanding PBGC protection to annuitants. That general interest could become an obsession" if major annuity insurers fail, said Foster Higgins' Mr. Davey.

It is not clear how the PBGC would fund any guarantees to retirees receiving annuities, observers say.

Meanwhile, the Labor Department is expected to ask Congress to act on a legislative package, similar to one proposed last year, that would boost penalties for employers that violate ERISA rules.

Elements of that enforcement package are expected to include:

- Doubling the current 5% penalty for engaging in a transaction that is prohibited under ERISA to 10% of the transaction's value.
- Allowing the secretary of Labor to award a "bounty" or a portion of the civil penalties assessed in a suit filed by the Labor Department to an individual who supplied information to the department about the violation.
- Requiring courts to award reasonable attorneys' fees and expert witness fees to plaintiffs who successfully sue employers or plan fiduciaries for ERISA violations.

Currently, courts have the discretion to award attorneys' fees to successful plaintiffs.

Assistant Secretary of Labor David George Ball notes that while ERISA is working well, the law can stand some fine-tuning.

There must be greater disincentives for illegal activities, Mr. Ball noted.

In other pension areas, the Labor Department also is exploring ways to improve pension benefit portability for workers who change jobs, as well as ways to simplify various pension reporting rules, Mr. Ball said. ■

Legal fees

Continued from page 3

out that Mr. Clarkson agreed to the tentative settlement without admitting liability.

All negotiations have broken off since the tentative settlement fell through, according to Mr. Edwards and Mr. Doyle.

However, "it is possible the matter could be brought before a settlement judge" in the future, Mr. Edwards said. Mr. Doyle agreed.

Meanwhile, the federal government is pursuing criminal charges against many of the same people named in the Fireman's Fund and Allstate RICO lawsuit.

The government's indictment, which does not name either Mr. Clarkson or Mr. Rucker as defendants, alleges that Mr. Clarkson and Mr. Rucker, after forming their own firm in 1987, paid attorney Lynn Boyd Stites "a percentage of the money they received from insurance companies in connection with their representation of various insured defendants."

Before forming Rucker & Clarkson, Mr. Clarkson was an attorney with Stites P.L.C. of Los Angeles, which Mr. Stites headed.

Mr. Stites has been indicted, along with 13 other people, by a federal grand jury on charges of mail fraud and RICO violations (*BI*, April 30, 1990).

Four of the 10 attorneys now working at Rucker & Clarkson, including Mr. Rucker and Mr. Clarkson, previously worked at the Stites firm, according to Mr. Rucker.

The federal indictment charges that "beginning sometime in 1984 and continuing thereafter up to and including December 1988, defendants Lynn Boyd Stites, Roberto Rufino, Cheryl Dark, Jan Sonker, Alan Arnold, Lewis Koss, Gregory Bodell, Kathleen Phipps, Douglas Caiafa, B. George Dezes, Steven Waisbren, Richard Noyer, Donald Sternberg, Barry Krasner, Mark Geyer, Monty Mason II, James McBeth, Leonardo Radomile and others including . . . Robert Clarkson, Fred Rucker. . .and others known and unknown to the grand jury were joined together in an enterprise herein referred to as 'the Alliance'. . .a group of individuals associated in fact to conduct a comprehensive scheme which utilized the United States mails to defraud insurance companies through the control, manipulation, and prolongation of civil litigation."

Assistant U.S. Attorney George Hardy in San Diego would not disclose why Mr. Clarkson and Mr. Rucker were mentioned in the government's indictment but not named as defendants.

However, Mr. Rucker said: "It is my position that the government determined that the factual allegations with regard to me were false, and that is why they did not name me as a defendant."

Mr. Doyle said Mr. Clarkson has agreed to cooperate with the government in its investigation.

The criminal trial is scheduled to begin in March, Mr. Hardy said. ■

RIMS post

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pleased that Gene has accepted the position of executive director, as he is very strong in personnel administration and change management.

"Inasmuch as our professional staff has served under Ron Judd's capable direction for so many years, we feel Gene's skills will help greatly in making a smooth transition," she said.

Ms. Hawkins added that Mr. Ricci "is a real people person, and will do well in an association environment."

While at CIGNA Services, Mr. Ricci directed facilities management and administrative and support services. Before the creation of CIGNA in 1983, he was president of the Insurance Co. of North America Service Co., which he joined in 1978. At INA, he also served as assistant to the president, president of the Diversified Services Division and executive vp in charge of the international and special risk divisions.

From 1964 to 1978, Mr. Ricci worked in several capacities for Mead Corp. of Dayton, Ohio, including director of new business development, president of subsidiary Acquatair Corp., and vp-marketing and military contracts project manager at Mead Technical Laboratories.

Mr. Ricci also spent four years as an analyst for the Central Intelligence Agency and worked briefly for defense contractor HRB-Singer Inc. of State College, Pa.

Mr. Ricci graduated from Utah State University in Logan after serving in the Army. ■

D&O survey

Continued from page 1

quency of D&O claims for companies with assets of $1 billion or less appears to be leveling, while companies with assets exceeding $1 billion continue to annually experience a 10% to 20% increase in claim frequency. Wyatt defines claim frequency as the average number of claims per survey participant.

"1990 will probably be recalled as a year of relative stability in the directors and officers liability insurance market. However, trends clearly point to the beginning of a market adjustment," said Kenneth S. Wollner, the Chicago-based Wyatt consultant who prepared the study.

"Historically, D&O has led the market change. If the change here is characteristic of the overall market, the change appears to be moderate and gradual," he said.

The 1990 D&O survey contains the responses of 1,442 participants and covers their experience from the third quarter of 1989 through the third quarter of 1990. The survey includes information on 1,112 primary D&O accounts generating $276.3 million in premiums and 875 excess D&O accounts generating $184.6 million in premium.

The 1989 survey included 1,235 primary D&O accounts generating $263 million in premiums and 789 excess accounts generating $168.2 million in premiums.

Because the sample is a "nonprobability sample," in which organizations have a choice whether or not to participate, the report stressed that "since not all organizations are equally likely to participate, survey biases must be considered in interpreting survey results."

Nevertheless, during the period covered by the survey, 39% of the participants with prior D&O policies reported that their premiums had increased, while 32% reported a decrease in premiums and the remainder no change.

However, a quarter-by-quarter breakdown of premiums paid for the coverage shows a relatively steady trend toward higher premiums during the past year.

During the third quarter of 1989, 38% of all participants in the survey reported having level premiums, while 35% reported decreased premiums and only 24% reported increased premiums. The remaining 3% reported having had no prior D&O coverage.

In the fourth quarter of 1989, 39% of the participants reported lower D&O premiums, 33% said their premiums had increased and only 25% reported level premiums, with the remaining 2% reporting having had no prior coverage.

But, during the first quarter of 1990, the percentage of participants reporting increased premiums jumped to 43%. Only 27% reported lower premiums and the percentage with level premiums remained unchanged from the prior quarter at 25%. Four percent reported having had no prior D&O coverage.

The breakdown remained much the same during the second quarter of 1990, with 41% of the participants reporting higher premiums, 28% reporting lower premiums, another 28% with level premiums and 3% with no prior coverage.

By the third quarter of 1990, however, 47% of the participants—nearly double the percentage of the comparable quarter of 1989—reported D&O premium increases. Only 25% reported lower premiums, 27% reported level premiums and 1% had no prior D&O coverage.

Among the various industry groups surveyed, Wyatt found that banks were more likely to report increased D&O premiums in 1990 than 11 other industry groups. Slightly more than half of the banks participating—51%—said their premiums increased last year, while 23% said their premiums decreased, 23% reported level premiums and the remainder reported no prior coverage.

Utilities reported the lowest frequency of increased premiums in 1990, with only 20% reporting that D&O premiums had increased during the period. In fact, more than half of the utilities participating in the survey—53%—reported lower premiums and 27% reported level premiums.

In addition to rising premiums, Wyatt found that there was a slight trend toward increased deductibles and retentions during the period covered by the survey.

For the third quarter of 1989, only 4% of the participants with prior experience reported higher deductibles or retentions, while 17% reported lower deductibles or retentions and 75% said they remained the same. By the third

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D&O survey

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quarter of 1990, the percentage of participants reporting higher deductibles or retentions crept up to 10%, while only 7% of the participants reported lower deductibles or retentions and 82% said they were the same.

In spite of the slight increase in deductibles and retentions, the survey found that D&O limits generally were the same for participants during the period surveyed.

Eighty-one percent of the participants with prior D&O policies said that they kept the same limits last year, while 16% reported higher limits and only 3% lower limits. In the 1989 survey, 77% reported keeping the same limits, 21% reported higher limits and 2% said limits were lower.

The survey found that average D&O coverage limits reported by participants increased about 4.3% to $26.6 million in 1990 from $25.5 million in 1989. The range of total D&O coverage limits reported by survey participants ranged from $250,000 to $205 million, with average limits correlating closely to a respondent's asset size, business type and ownership.

For example, respondents with assets of less than $100 million reported an average D&O limit of $5.4 million in 1990, a 5.9% increase from $5.1 million a year earlier. Companies with assets in the $100 million to $400 million range, however, reported a 6.6% drop in average limits to $12.8 million in 1990 from $13.7 million in 1989.

The average D&O limits for companies with assets of $400 million to $1 billion increased 3.6% to $20.2 million in 1990 from $19.5 million in 1989. Companies with assets in the $1 billion to $2 billion range experienced the largest percentage increase in average limits, with the 1990 average rising 11.1% to $30.9 million from $27.8 million in 1989. But the average D&O limits reported by firms with assets in excess of $2 billion increased by only 1.2% to $50.5 million from $49.9 million a year earlier.

Among the industry groups examined, utilities reported both the highest average primary limits and the highest average excess limits, at $22.05 million and $49.73 million respectively. In addition, a higher percentage of utilities reported an increase in D&O limits—27%—than any other business group. No utilities opted for lower limits last year.

On the other hand, the construction and real estate industry reported having both the lowest average primary and excess D&O limits, at $6.49 million and $17.95 million respectively. In addition, a higher percentage of construction and real estate industry participants—5%—reported decreased limits.

Among companies without D&O insurance last year, the number citing an inability to obtain the coverage continues to drop, Wyatt found.

About 23%, or 330, of the companies surveyed last year reported that they did not have D&O insurance, an increase from the 20% of respondents without coverage in the 1989 survey.

But only 5% of the 1990 respondents said they were unable to obtain coverage, a slight decrease from 6% in 1989, and 8% in 1988. During an earlier survey covering 1986-87, 18% of the respondents without D&O coverage said they were unable to obtain it.

The most common reason given for not buying D&O insurance in 1990 was that it was too expensive. Forty-eight percent of the 1990 respondents without D&O coverage said it cost too much, compared with 49% in both 1989 and 1988.

The percentage of participants who said they went without coverage because they saw no need for it increased in 1990. Forty-five percent of the 1990 participants said they saw no need for D&O insurance, compared with 41% in 1989 and 38% in 1988.

The third most frequently cited reason for not carrying D&O coverage was that the available coverage is too limited. Twenty-three percent of the 1990 respondents cited this reason, compared with 20% in 1989 and 24% in 1988.

Fourteen percent of the respondents without coverage said they did so on advice of counsel. That was unchanged from 1989 and up slightly from 1988's 12%.

Ten percent of the participants without D&O coverage offered other reasons, a decrease from 15% in 1989. The sum of percentages exceeds 100% because of multiple responses.

The incidence of D&O claims reported by the survey participants is increasing, Wyatt found.

> **'The overall frequency of claims is increasing at a compound annual rate of about 10%,' Mr. Wollner says.**

"Analysis of the 852 lawsuits brought against directors and officers of the 1,442 organizations participating in the 1990 Wyatt survey shows that the overall frequency of claims is increasing at a compound annual rate of about 10%," Mr. Wollner said.

"Many claims that were of minimal concern in yesterday's benign economic period have or will become serious as the business environment deteriorates. Underwriters will continue to adjust by increasing premiums, restricting coverage and eliminating unprofitable business," he said.

Claim frequency measures the total number of claims filed against directors and officers of all companies. For example, if in a sample of 10 companies one company's directors and officers were hit with two claims, the frequency would be 0.2, or two claims per 10 companies.

For example, among companies with assets of $100 million or less, D&O claims frequency shot up to 0.117 last year, from 0.054 in 1989, which itself was a significant drop from 1988's frequency of 0.116. However, the 1989 figure was apparently a fluke, because the 1990 frequency was more in line with the 1988 figure, as well as the 0.129 posted in 1986 and 0.134 in 1984.

Companies with $100 million to $1 billion in assets also experienced a relative flattening in the incidence of D&O claims. 1990 claim frequency among these companies was 0.334, up from 0.317 in 1988, and 0.333 in 1988.

Among companies with assets of more than $1 billion, claim frequency continued its steady climb, reaching 1.20 in 1990. That is up from 0.912 in 1989, and 0.878 in 1988.

Among all participants, the survey found that those involved in merger, acquisition and divestiture activity as well as those experiencing an aftertax loss reported a higher-than-average frequency of D&O claims.

Companies involved in merger, acquisition and divestiture activity reported a claim frequency of 0.77 in 1990, up from 0.6 in 1989. By contrast, companies not involved in such activities reported frequencies of 0.27 in 1990, up from 0.23 in 1989.

Companies that had reported an aftertax loss showed a claim frequency of 0.78 in 1990, compared to 0.57 in 1989. Those without such a loss reported a claim frequency of 0.53 in 1990 and 0.41 in 1989.

Two underwriters continued to dominate the primary D&O insurance marketplace during the period covered by the 1990 survey.

New York-based American International Group Inc. remained the dominant primary D&O insurer in terms of premiums written, garnering $106 million, or 38.31%, of the primary D&O premiums paid by the 1990 survey participants. AIG held a 30.74% share of the primary D&O market among 1989 survey participants.

Warren, N.J.-based Chubb Corp. held second place in terms of primary premiums written, with $53.9 million, or 19.46%, of the primary D&O premiums paid by survey participants. Chubb had a 21.4% market share among participants in the 1989 survey.

Bermuda-based Associated Electric & Gas Insurance Services Ltd., a group captive for utilities, maintained its third-place standing in terms of primary D&O premiums, with $37.7 million, or a 13.64% share of the premiums paid by participants in this year's survey, up from a 12.78% share in 1989.

Chubb, however, remained the leader in terms of primary D&O policies written for the survey participants, with 325—or 29.23%—of the primary D&O accounts surveyed in 1990. AIG ranked second with 313—or 28.15%—of the primary accounts. The only other insurer to write more than 5% of the survey respondents' primary D&O policies was Chicago-based CNA Financial Corp. with 81—or 7.28%—of the primary D&O accounts held by 1990 survey participants. The relative rankings were unchanged from 1989.

Four insurers each held at least a 10% share of the excess D&O premiums reported in the survey.

Hamilton, Bermuda-based A.C.E. Insurance Co. Ltd. remained the leader, accounting for 18.5% of the excess premiums paid by 1990 participants, compared with 14.27% in the 1989 survey. AIG retained second place with 15% of the 1990 excess premiums, compared to 13.7% a year earlier. Chubb had a 12.2% share of the excess premiums in 1990, up from a 9.98% share reported in 1989.

Fourth-place Executive Risk Inc., the Simsbury, Conn.-based D&O underwriting unit of Aetna Casualty & Surety Co., had a 10.1% share of the excess D&O premiums paid by survey participants in 1990, up from 9.4% in 1989.

In terms of excess policy count, Chubb ranked first with 127 excess policies, which was 14.51% of the 1990 participants' total excess policies, up from 11.9% in 1989. AIG came in second with 97 excess policies, or 11.1%; A.C.E was third with 93 policies, or 10.6%; and Aetna was fourth with 87 policies for a 9.9% share.

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The "1990 Wyatt Directors and Officers Liability Survey" will be available for $200 on Jan. 21, from Connie Johnston or Mary Maze, The Wyatt Co., Risk Management Services, 303 W, Madison St., Suite 2400, Chicago, Ill. 60606-3308. Ms. Johnston can be reached at 312-704-2719 and Ms. Maze at 312-704-2483.

Corporate oversight group forms

PLAINVIEW, N.Y.—A network of retired financial officers, accountants and internal auditors has been formed to assist corporate self-governance.

As part of that effort, the Audit Committee Support Network of Plainview, N.Y., has prepared a "self-assessment" guide for corporate audit committees, which provide oversight of a corporation's financial reporting. The 24-page guide is available free from National Union Fire Insurance Co. of Pittsburgh, Pa.

National Union, a New York-based unit of American International Group Inc., is the largest underwriter of primary directors and officers liability insurance in terms of premium volume in the United States (see story, page 1).

Stanley Halper, a retired senior partner of Coopers & Lybrand who is president of the network, said his firm consists of retired financial officers, chief internal auditors and partners of public accounting firms.

The self-assessment guide produced by the ACSN asks questions like, "Is your audit committee composed of a majority of independent directors?"

If the answer is yes, the guide says, "having a majority of independent directors provides the audit committee with an enhanced objectivity in the exercise of its oversight role."

According to the guide, a "no" answer can mean "management's judgments may not be questioned effectively since inside directors could tend to reflect the view of their fellow managers."

According to the guide, D&O claim areas that could be affected by the lack of such objectivity include: irregularities in securities issuance, misleading representations, failure to follow mandated procedures, improper expenditures and conflicts of interest.

Another question posed by the guide is whether the audit committee meets at least three times a year. That is the minimum recommended by the ACSN. In fact, the guide recommends at least four meetings a year if committee responsibilities include reviewing quarterly financial statements.

The ACSN also provides advice for a fee on matters such as:

- The written charter that sets forth an audit committee's duties and responsibilities.
- Evaluating and documenting the independence of the public accountant.
- Reviewing management's programs for compliance with the company's code of conduct.

For further information on the group, contact The Audit Committee Support Network, 125 East Bethpage Road, Suite 102, Plainview, N.Y., 11803; 516-420-5947.

For further information on the self-assessment guide, write to Lawrence W. Ray, Vp, National Union Fire Insurance Co. of Pittsburgh, Pa., 70 Pine Street, Fifth Floor, New York, N.Y. 10270.

—By Mark A. Hofmann

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Issue of January 14

Business Insurance

INTERNATIONAL

British Rail covered for train crash

By CAROLYN ALDRED

LONDON—Many of the claims stemming from last week's crash of a crowded British Rail commuter train, which killed one person and injured more than 300, will fall under the railway's 10 million pound ($19 million) deductible, market sources say.

The British Railways Board, which governs the state-owned national railway, has up to 100 million pounds ($189.6 million) of third-party liability coverage with a 10 million pound deductible for any one loss or series of claims arising from one occurrence, sources say.

The first 25 million pound ($47.4 million) layer of coverage above the deductible is led in the London company market by Guardian Royal Exchange P.L.C. and at Lloyd's of London by underwriter Michael Payne of syndicate 683, sources say. The remaining coverage is placed in the Bermuda market with ACE Ltd. and X.L. Insurance Co., they say.

British Rail's broker is C.T. Bowring P.L.C., a unit of Marsh & McLennan Cos. Inc.

British Rail, GRE and Bowring refused to comment on the coverage.

ACE President Walter A. Scott would not comment, noting that the insurer does not identify its policyholders.

Similarly, X.L. Chairman Michael J. Kevany said, "We don't discuss our insureds and we have confidentiality agreements regarding their losses, so we cannot confirm or deny that we are insuring British Rail."

Last week's crash occurred when a crowded commuter train from Sevenoaks in Kent failed to stop before hitting buffers at the Cannon Street station, a major station for London's financial district. The driver reportedly told investigators that the brakes failed.

Although the train was only traveling at about 5 mph at the time of impact, the force of the collision caused a middle car to jump the car in front of it, causing the most severe injuries. However, more than 300 people throughout the train suffered injuries, because many of the estimated 800 passengers were standing at the time of the crash, British Rail said.

Injured passengers were taken to three nearby hospitals. Medical centers in the Lloyd's of London building and the London Stock Exchange were also open and accepting the "walking wounded," said a Lloyd's spokesman.

The crash, the latest in a series of major British train accidents in the last two years, has prompted renewed calls for improved safety.

Critics last week pointed out that the train involved in the Cannon Street crash was built in the 1950s, as were many others still being used on that line.

British Rail already is facing a large fine over alleged safety violations that caused a fatal 1988 train disaster two years ago (*BI*, Dec. 19, 1988). Two trains collided near Clapham Junction in London, killing 35 people and injuring 500.

Last week, a London magistrate ruled that two safety charges brought against British Rail by the Railways Inspectorate under the Health and Safety at Work Act should be heard before a jury at the Old Bailey, Britain's central criminal court. This would allow a much larger fine to be imposed than the 2,000 pound ($3,792) maximum allowed in Magisterial

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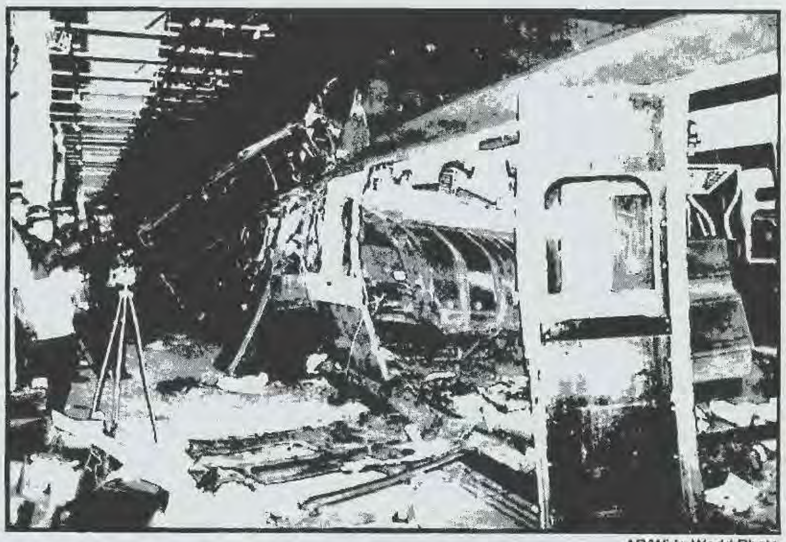

AP/Wide World Photo

One person was killed and more than 300 people injured in last week's train crash at London's Cannon Street British Rail station.

LONDON

U.K. storm losses not devastating

By STACY SHAPIRO

LONDON—Insured damage from windstorms that hit parts of the British Isles Jan. 5-6 is not expected to reach the devastating levels of the 1990 storms, underwriters concur.

Underwriters said it was too early to estimate total damages from the storms, which killed more than 20 people.

But they added that damages would not reach the levels of the 1990 storms. Losses from those storms are estimated at up to $10 billion (*BI*, Jan. 7).

"It's too early to say" what the total losses will be, summed up a spokesman for the Assn. of British Insurers. "No one's filled out their claims forms yet."

However, "it isn't as bad as last year," he said.

Storms in January and February 1990 affected most of the British Isles and other parts of Europe. This time around, damages are confined mainly to three areas of the country—the Midlands, Northern England and Northern Ireland. "And, last year the storms lasted longer," he said.

Insurers, including some of the country's largest, agree.

"We don't know yet how many claims are involved," said a spokesman for London-based Commercial Union Assurance Co. P.L.C. "But the overall impression is that it wasn't as bad as it might have been."

In the severe windstorm in October 1987 and again last winter, emergency measures handled the deluge of claims rolling in to CU.

The measures included setting up a storm team to coordinate action; moving extra staff to the claims department; and advertising on radio and television about how to file claims.

Company officials decided last week not to use such measures for this year's less severe situation. "We will have more claims than we would have in a normal weekend, but it won't be too bad," said the spokesman.

Lloyd's record capacity

After months of estimating, Lloyd's of London now says that its 1991 capacity will be a record 11.4 billion pounds ($22 billion at appropriate exchange rates), up 4% from 11 billion pounds ($17.8 billion) last year.

However, the capacity is being offered by fewer members writing higher limits. Lloyd's membership totals 26,534 this year, down 1,896 from 28,430 last year. Last year 2,150 members resigned, 166 fewer than in 1989.

Some 6,329 existing members have increased their underwriting limits. The average premium limit per member is now 385,000 pounds ($743,000) compared with 350,000 pounds ($565,000) last year.

Also, only 254 members joined the market this year, down from 312 in 1990.

Lloyd's new chairman, David Coleridge, welcomed the increase in capacity and the move toward a stronger capital base.

"The increase in capacity comes at an opportune time for Lloyd's, since all the indications are that the market is hardening at last and premium rates are rising compared to the last three years," he stated.

"Lloyd's writes the greater part of its premiums in dollars and, with the current strength of the pound sterling, we have not been able fully to use all our available capacity for some years. What we are now seeing is an upturn in the world's insurance market from which Lloyd's, given its security of policies and record in innovative underwriting, is well-placed to benefit," he said.

Continued on next page

Record satellite loss pending

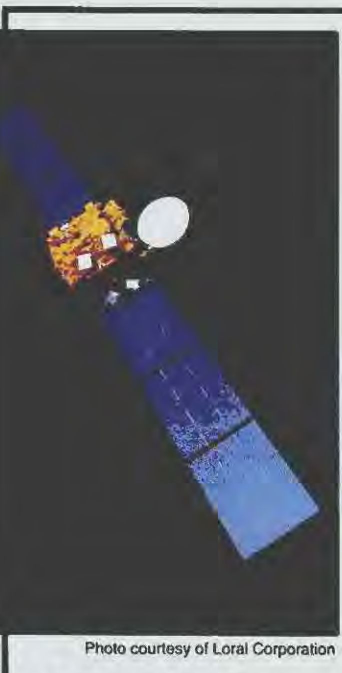

Photo courtesy of Loral Corporation

Satellite underwriters may face a record claim on the Superbird A.

LONDON—Satellite underwriters could learn this week whether they have to pay their largest single claim ever—more than $170 million—for a Japanese telecommunications satellite malfunctioning in orbit.

Underwriters were notified late last month that "Superbird A," owned by Satellite Communications Corp. of Tokyo, had started to tumble from its geostationary orbit and was facing the wrong way.

The satellite had been orbiting since its June 1989 launch. It is insured for about $170 million in the Japanese market, led by Tokio Marine & Fire Insurance Co. of Tokyo and the Japanese aviation insurance pool, confirmed Philip May, executive director of Lloyd's of London brokerage Willis Faber & Dumas Ltd. Willis Faber is the reinsurance broker for Tokio Marine on the in-orbit coverage.

The satellite has been shut down from ground control, and as of last week "all transmission is suspended," Mr. May confirmed.

After a "recovery procedure" directed from ground control, the owner should find out whether the satellite can be partially or completely repaired by the middle to end of this week, he said.

Because the satellite is in geostationary orbit more than 22,000 miles above the earth, it cannot be retrieved by the space shuttle, which has only attempted salvages in a lower earth orbit. So if the satellite cannot be revitalized from ground control, it would be a total loss for underwriters.

If the Superbird A is a total loss, it would be the largest single loss of a single satellite either in orbit or during launch, brokers and underwriters agree.

"This will be a biggie," a London satellite broker observed.

It also would be the second total loss for SCC within a year. Two communication satellites, including "Superbird B," were destroyed last February when an Ariane rocket exploded less than two minutes after launch. The satellites were insured for a total of $245 million.

Superbird B was insured for $94.5 million plus $50 million for relaunch coverage from Airianespace captive Space Related Risks Reinsurance Co. (*BI*, Feb. 26, 1990).

"We don't need a loss like this now," a European satellite underwriter said. "Rates are going down. They are cheaper than they used to be a couple of years ago."

Rates for in-orbit satellite coverage now range from 1.75% to 4% of the value of the satellite, and launch rates remain at 17% to 20% of the insured value, he said.

—By Stacy Shapiro

Dubai mulls offering war cover

By MARIA KIELMAS

LONDON—The government of Dubai is finalizing a plan to offer war risk insurance to shippers to and from the ports of Dubai and Port Rashid.

The plan is aimed at relieving shippers of what the Dubai government perceives as unjustly high war risk rates levied by London underwriters (see story, page 1).

"We are preparing a final text in consultation with shipowners, mortgagees, bankers and financiers,' said Sultan Bin Suleyman, chairman of the Jebel Ali Port & Free Zone. Consultations also are under way with brokers in London, he said.

Under the plan, the Dubai government would offer war risk insurance to shippers of all nations and for all types of shipping to and from Jebel Ali and Port Rashid, he said.

Three years ago, London marine underwriters lowered cargo insurance rates for all but oil and gas cargos in the Persian Gulf following pressure from insurers in the United Arab Emirates (*BI*, Jan. 15, 1988).

Mr. Bin Suleyman noted that most imports to the UAE come through ports in Dubai, one of the seven emirates comprising the UAE.

The UAE government itself has already formed a committee to discuss a similar war risk insurance plan, but this is only in its preliminary stages, he said.

Mr. Bin Suleyman said Dubai was working on a similar indemnification plan for shipping to and from Iran.

Dubai has long been a major shipment center for Iranian trade, but because of the Persian Gulf conflict, Dubai's port trade in 1990 fell between 15% and 25% below what was expected, he said.

There has been a slight increase in trade with Iran since that country relaxed import controls last year, though trade remains unpredictable. ■

INTERNATIONAL

Train accidents

Continued from previous page

Court.

The two charges allege that British Rail failed to ensure the safety of employees and passengers.

Other accidents have heightened public concern about railway safety.

A few months after the Clapham Junction crash, five people were killed and several injured in a collision outside Purley in South London. And, in March 1989, two people died in a train accident in Belgrove, Scotland, near Glasgow.

Compensation claims for victims of these three accidents currently are being settled, although a handful of claimants are pursuing legal action against British Rail, a spokesman confirmed.

British Rail has paid a total of 3.5 million pounds ($6.6 million) to settle about two-thirds of the personal injury claims and one-third of the fatality claims from the Clapham Junction accident, the spokesman said.

In the Purley accident, British Rail has paid about 500,000 pounds ($948,000) to settle one-third of the personal injury claims and three of the five fatality claims, he said. And, in the Glasgow accident, British Rail has paid nearly 100,000 pounds ($189,600) to settle two-thirds of the personal injury claims and one of the fatality claims, he added.

British Rail's insurance at the time of these incidents was led by Royal Insurance P.L.C. in London and the rail system's broker was Sedgwick Group P.L.C. British Rail then had 50 million pounds ($94.8 million at current exchange rate) of coverage placed throughout the London market excess of a 7.5 million pound ($14.2 million) retention. British Rail changed its broker and coverage prior to its April 1989 renewals (*BI*, March 13, 1989).

Meanwhile, British Rail faces a deluge of claims from residents of the Welsh town of Towyn in Northern Wales. The town, which is on the coast of the Irish Sea, was entirely flooded last February when waves in one of the devastating storms broke its sea walls.

The latest accident involving British Rail killed one person and injured more than 300 others.

The residents and local authorities claim that British Rail is responsible for maintaining the sea walls, which run alongside its coastal railway line. The breach led to the flooding of 3,000 homes.

A spokeswoman for British Rail in Birmingham, the office that oversees the region around Towyn, said that negotiations were continuing between railway lawyers and residents. No payments have yet been made, she said.

She would not comment on the negotiations, but insurance sources say British Rail is disputing the Towyn claims. Insurers estimate that claims could total tens of millions of pounds. ■

LONDON

Continued from previous page

Credit insurer sale

A bill to allow the British government to sell a division of the state-owned credit insurer was introduced into Parliament last month and now is being discussed in the House of Commons.

The Export and Investment Guarantees Bill would, among other things, allow the government to sell the Cardiff, Wales-based short-term credit insurance division of the Export Credit Guarantee Department. That division is otherwise known as the "insurance services" group.

The government announced its intention to sell the division in December 1989. In July, bids were requested from prospective purchasers—including foreign buyers—by Sept. 28 (*BI*, Aug. 6, 1990; Jan. 22, 1990; July 3, 1989).

The government hopes to sell the division by April, said an ECGD spokesman. However, the bill outlining the framework for privatization of the division must be passed before the prospective buyer can be announced, he said. The legislation, introduced in Parliament Dec. 19, is expected to have its second reading in the House of Commons on Tuesday. The bill will then be debated in committee before having its third and final reading in the House of Commons.

The bill also restates the powers of the ECGD in the existing Export Guarantees and Overseas Investment Act of 1978. And it gives the secretary of state for trade and industry new powers to "undertake transactions for the more effective financial management of ECGD's portfolio of assets and liabilities," stated the ECGD.

The new powers will make the division more cost-effective, stated Trade Minister Tim Sainsbury.

J&H recruiting

Johnson & Higgins Ltd. of London continues to recruit individual brokers from the market as speculation continues over whether its New York-based parent will team up with another broker in London.

J&H Ltd. announced late last month that it is expanding its directors and officers liability group with the appointments of Clare Lawrence as director in the North American division and head of the group, and of brokers Alison Hole and Emma Forster.

Ms. Lawrence had been divisional director of J.H. Minet & Co. Ltd. where she specialized in D&O coverage for major U.S. financial and commercial clients. Ms. Hole and Ms. Forster were also previously D&O brokers at Minet.

So far, J&H Ltd. has recruited 50 people since its parent's long-time London partner, Willis Faber P.L.C., announced last May that it would merge with New York-based Corroon & Black Corp. to form Willis Corroon P.L.C.

Comings & goings

Richard Maylam has become chairman of Lloyd's of London agency group A.J. Archer Holdings P.L.C. following the Dec. 31 retirement of **A.J. Archer**. Mr. Maylam, who started at Lloyd's in 1958, is a leading aviation underwriter and was deputy chairman of the group until his promotion.

Peter Gray has been appointed to the board of directors of Lloyd's of London broker Steel Burrill Jones Group P.L.C.. He remains managing director of SBJ & Associates Ltd. and is responsible for the group's employee benefits and personal financial planning businesses.

Patrick Miller has been appointed deputy managing director of the North American property and energy division of Lloyd's of London brokerage J.H. Minet & Co. Ltd.

Bill Mendham has been appointed general aviation underwriter for London-based English & American Group P.L.C. Mr. Mendham worked 38 years with Royal Insurance Group P.L.C.

Filippo Guerrini-Maraldi has been appointed a divisional director of the fine arts and jewelry division of J.H. Minet & Co. Ltd. ■

BERMUDA

Ex-BF&M chief seeks development council

By ROGER SCOTTON

HAMILTON, Bermuda—The former president and chief executive officer of Bermuda's largest multiline domestic insurer has called for the creation of a national insurance development council to help the island compete against other domiciles.

Speaking just one week before his year-end retirement from Bermuda Fire & Marine Insurance Co Ltd., Cyril Rance said that the Bermuda market was not paying enough attention to forward planning.

Mr. Rance, 56, stressed that he was not criticizing anyone for promoting his or her own company. But he argued that it is time for different market sectors to pull together.

"The time has gone when Bermuda had the business pretty much to itself," he warned. "We have to maintain our old friends and make new ones. The problem is that we have all been tending to go off and do our own thing."

He called for the creation of a multi-disciplinary body from the public and private sectors.

"A few years ago I recommended that we have some sort of QUANGO that could do this work, but not everyone agreed that a quango was needed," Mr. Rance said. QUANGO is an abbreviation for quasi-autonomous non-governmental organization, a semi-public body with financial support from and appointments made by the government.

"We need a development council that can draw up five or 10-year programs on where we want to go as a market and how we want to get there," he said.

Mr. Rance, who started with BF&M at age 16 as an office boy, said that banking commands too great a share of the island's development resources.

"I think it's time to adjust our focus and have insurance treated separately," he said. "Insurance companies are already busy working on this challenge and how they are going to respond to it. But what's Bermuda's collective response? What is it going to do as a domicile?"

Mr. Rance believes Bermuda, the world's leading captive domicile, will have a "golden opportunity" for business growth when corporations increase their interest in self-insurance. "How much business we get as a domicile depends on how much we're prepared to go after it," he argued.

He said that it was "quite appropriate" for government figures, such as the minister of finance or the financial secretary, "to start calling on business leaders in the industry."

"The minister needs reliable feedback from the industry. . .It's quite appropriate for a government official to get out there and start calling on some of these top people. How else will they get their feedback?"

Mr. Rance is not the only chief executive to have spoken out this year on the need for Bermuda to adopt a more collective approach.

In a hard-hitting speech in April (*BI*, May 7, 1990), ACE Ltd. Chairman John Cox warned of the dangers of Bermuda-based companies competing with each other and ending up on "the path to destruction." He favored a joint effort to create a stronger market and cautioned that Bermuda was in danger of losing control of its own destiny.

Meanwhile, Mr. Rance, who was succeeded at the helm of BF&M by Senior Vp Glenn Titterton, has been named a director of X.L. Insurance Co. Ltd.

X.L. Chairman Michael J. Kevany said that Mr. Rance will be X.L.'s first Bermudian director and will attend his first board meeting on Jan. 19.

"Along with our director Ian Heap, Mr. Rance is a non-stockholder director and, as such, will be able to bring a vital objective view to the company," Mr. Kevany said. ■

Garamendi plan

Continued from page 1

ing Proposition 103, charging among other things that he is overstepping his authority.

However, Harvey Rosenfield, Proposition 103's author and director of insurance consumer advocacy group Voter Revolt, applauded Mr. Garamendi's actions at a press conference immediately after the commissioner announced his plans.

The proposed rules are "some of the toughest regulations that we've ever seen in the United States," Mr. Rosenfield said.

"I am taking action to jump start 103," Mr. Garamendi asserted at a separate press conference Tuesday in Los Angeles.

"All rates are subject to the review of the commissioner and, if found to be excessive or unfair, they will be modified," he said, referring to insurers' proposed rates as well as those now in effect.

Mr. Garamendi also announced that he had filed proposed regulations that morning with the state Office of Administrative Law "to repeal the failed regulations" governing implementation of Proposition 103, which ordered insurers to roll back "charges" for most types of property/casualty insurance to 20% below November 1987 levels and requires prior approval of all future rates.

Mr. Garamendi proposes a schedule of written filings and public hearings culminating with a March 15 hearing to adopt new the regulations.

The new rules "will put bigger rollbacks in consumers' pockets and crack down on excessive rates in the future," he vowed.

"No more marathon hearings" will delay rollbacks, he asserted. "I am filing a detailed set of regulations that spells out how we'll rekindle the reform light."

The new regulations send "a clear message to the insurance industry: I mean business and I mean to implement Proposition 103," Mr. Garamendi said.

Specifically, the regulations abandon the rate of return formula developed by Ms. Gillespie to set insurers' rates. Mr. Garamendi charged that formula would have permitted some insurers' return on equity to exceed 30%.

Ms. Gillespie last year said the department would require insurers to roll back insurance "charges" for most lines of property/casualty insurance to 20% below November 1987 levels if their rate of return on their combined business exceeded 11.2% between November 1988 and November 1989.

Ms. Gillespie also said that insurers should be allowed an 11.2% to 19% return on equity for future rates (*BI*, June 18, 1990; May 14, 1990).

However, unlike Ms. Gillespie's method for determining insurers' return on equity, Mr. Garamendi's regulations call for taking into account the investment income on insurer capital not used to write insurance in California. The proposed regulations have dubbed this capital "surplus surplus."

The new rules will allow insurers in the state to "earn only the bare minimum profit required by the Constitution" of California, said an Insurance Department fact sheet on the proposed regulations.

"Thereafter, the companies will be allowed to set their profit levels within a specified range, producing rates that are neither excessive nor inadequate," the fact sheet says.

No benchmark rate of return is specified in the rules, but a benchmark will be determined at hearings "beginning in two months," Mr. Garamendi explained at the press conference.

"The commissioner shall, from time to time, determine the maximum and minimum permitted pretax rate of return for property and casualty insurance ratemaking," the regulations state.

"The maximum and minimum profit factors shall represent the range of yields on investments in other enterprises presenting risks to investors comparable to property and casualty insurance, giving due consideration to the competing interests of investors and consumers, and taking into account the fact that insurance is imbued with the public interest and that its purchase is sometimes legally required."

In addition, "the commissioner shall establish leverage factors for each insurance line," the regulations state. "Each insurers' surplus shall be allocated to its respective lines and coverages in proportion to its loss reserves.

"In determining the leverage ratios, the commissioner shall give due consideration to regulatory standards of solvency and actual industrywide ratios of net written premiums to surplus.

"The commissioner finds that investors' perceived investment risk may vary from line to line. In higher-risk lines, the commissioner will establish higher surplus requirements, and insurers will earn the rate of return on the higher surplus. Thus, while the rate of return does not vary by line, insurance perceived to have a greater risk will yield higher returns," the regulations explain.

Insurers are highly critical of Mr. Garamendi's proposed regulatory plan.

Although insurers initially criticized Ms. Gillespie's plan for determining insurers' rate of return, the department under Ms. Gillespie as recently as last week approved rate hikes that many insurers sought.

"None of the regulations specifically address the real, underlying cost of insurance," said Peter Gorman, regional director of the Alliance of American Insurers in San Francisco.

Mr. Garamendi "seems to blame the insurers for high rates and not the high medical and legal costs and fraud, all of which contribute to the cost of insurance," Mr. Gorman said, referring to personal automobile insurance. The high cost of personal auto coverage in California sparked the approval of Proposition 103 by California voters (*BI*, Nov. 14, 1988; Oct. 24, 1988).

Some insurance industry representatives hinted that the proposed regulations, if adopted, could spur even more litigation.

"The insurance industry's responsibility is to look at Garamendi's regulations and see how they affect each company and whether administrative law and case law permit him to just repeal" the previous regulations, said Patricia Lombard, executive director of the Western Insurance Information Service in Los Angeles, the regional arm of the New York-based Insurance Information Institute.

"I doubt the validity of any regulation that seeks to limit or deny to insurers any income they earn on their capital," said Tom Conneely, president of the Assn. of California Insurance Companies in Sacramento.

"What Garamendi is saying is if you earn income on assets that you are not using to support your insurance activities in California, he wants to use that income in the

'I am taking action to jump start 103,' says John Garamendi, the new commissioner.

California rate base. And I think that's improper," Mr. Conneely said.

"Any attempt by California to cause insurance buyers in other states to subsidize California insurance buyers will run into opposition from insurance commissioners and legislators in other states," Mr. Conneely predicted.

Judy Mintel, associate general counsel for State Farm Mutual Automobile Insurance Co. of Bloomington, Ill., said the rate of return guidelines set by Ms. Gillespie "were not inconsistent with the way that State Farm has priced its products for the last 50 years."

However, Mr. Garamendi's proposed regulations "set out principles and goals that are opposed to the competitive pricing of insurance," she said.

The proposed regulations also detail Mr. Garamendi's policy on which expenses insurers would be permitted to pass on to policyholders.

For example, the proposed rules would not allow insurers to include bad-faith awards or advertising and lobbying expenses in their expense calculations.

"The insurance industry is notorious for its waste and inefficiency," states the Insurance Department's fact sheet. "The Garamendi regulations will prevent the companies from charging consumers for overhead expenses in excess of the industry average—and establish strong incentives for the companies to improve their performance."

"Any insurer with higher than average overhead will have to eat the excess itself," Mr. Garamendi said during the press conference, without elaboration.

The regulations also state that Insurance Department actuaries will provide "independent, unbiased projections of future costs, squeezing the excess from bloated estimates" by insurers' own actuaries, according to the fact sheet.

"Insurance company forecasts typically project higher costs of writing insurance in the future. When those forecasts fail to materialize, the companies are free to pocket the extra cash," the fact sheet says.

The new regulations establish a two-pronged hearing process for ironing out disputes between insurers and the department over implementation of Proposition 103.

"Generic," or consolidated, hearings would be held to make basic industrywide factual determinations, such as forecasting cost trends for a given line of coverage.

"Company-specific," or individual, hearings would be limited to resolving disputes over how the general formulas apply to an individual company and whether special factors justify a variance.

Mr. Garamendi pledges to expedite hearings. They "will take weeks, not months," so that "consumers will get rate relief in months, not years," he said.

By filing the regulations and ordering the rate freeze, "we have delivered (to consumers) in two days more than was delivered by the previous administration in two years," Mr. Garamendi said.

The new commissioner also announced during the press conference the appointment of Steve Miller as director of Proposition 103 implementation.

Mr. Miller, who had been a consultant to the Insurance Department for a year and a half, is the former executive director of the Insurance Consumer Action Network in Los Angeles and a longtime insurance consumer advocate.

He will report directly to the commissioner.

Mr. Garamendi also announced that two new attorneys will be handling Proposition 103-related litigation, replacing Karl Rubinstein of Los Angeles-based Rubinstein & Perry. Mr. Rubinstein now will focus on other department matters.

Michael Strumwasser and Fredric Woocher, members of former state Attorney General John Van de Kamp's staff, will now represent the department in legal matters related to Proposition 103 and report to Mr. Miller.

"No attorneys in America are more adept or experienced in representing the interests of insurance consumers than Messrs. Woocher and Strumwasser," Mr. Garamendi said. "They give the people of California a one-two punch that will knock out the heavyweight obstructions to rapid enforcement of Proposition 103."

Messrs. Woocher and Strumwasser participated in Mr. Van de Kamp's recent investigation of alleged insurer antitrust violations. That investigation concluded that a "culture of collusion" among insurers prompted the simultaneous withdrawal of scores of them from the California property/casualty insurance market after Proposition 103 was passed (*BI*, Jan. 7).

While Mr. Van de Kamp did not recommend that insurers be prosecuted for these alleged actions, Mr. Garamendi said his staff will analyze the report to determine whether action against insurers is needed.

Proposition 103 repealed insurers' exemption from state antitrust laws, making many longstanding insurance company practices illegal, Mr. Garamendi said.

"What took place prior to the election and afterwards are two different worlds," Mr. Garamendi said. "We will seek sanctions against companies that demonstrate a pattern of abuse."

In a statement distributed by Voter Revolt at Mr. Rosenfield's press conference, consumer advocate Ralph Nader said: "Today, the California insurance commissioner —elected for the first time—promised results under the initiative (voters) passed two years ago. This determination to give the voters what they are entitled to is a testament to the wisdom of democratic accountability.

"We will now see whether Commissioner Garamendi's promises will be transformed into performance in the consumer interest. Because the former regime so arrogantly refused to enforce the will of the people, the new commissioner's responsibility is clear," Mr. Nader said.

"For the first time, the insurance commissioner has responded to the will of the people," Mr. Rosenfield said.

But even though the new insurance commissioner's thinking appears in line with that of Voter Revolt, Mr. Rosenfield said "we cannot cease our vigilance. This battle really has just begun. Sustained watchdog vigilance will be needed to continue the fight."

As an example of this, Mr. Rosenfield announced that Voter Revolt had just filed a brief with the California Court of Appeal asking it to review a lower court decision permitting insurers to continue to use territorial rating in setting personal lines auto insurance premiums. ■

Bankruptcy

Continued from page 2

of Boston, said the Eagle-Picher spokesman. Lexington is a subsidiary of American International Group Inc.

To date, Eagle-Picher has settled 65,000 claims for about $600 million, he said. More than 70,000 additional claims are pending.

In its bankruptcy filing, the company puts its liabilities at $583 million, including $375 million for asbestos claims. The company reports $416 million in assets.

The company will continue to operate under Chapter 11, the spokesman said.

Asbestos liabilities have forced at least seven other manufacturers into bankruptcy protection.

Industry leader Manville Corp. of Denver; Celotex Corp. and its subsidiary Carey Canada Inc. of Tampa, Fla.; UNR Industries Inc. of Chicago; 48 Insulations Inc. of Aurora, Ill.; Nicolet Inc. of Ambler, Pa.; and Amatex Corp. in Norristown, Pa., have all sought Chapter 11 protection due to overwhelming asbestos liabilities (*BI*, Dec. 21, 1987).

Nicolet has been liquidated, and 48 Insulations Inc. is no longer in business (*BI*, Aug. 22, 1988). ■

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A copy of the IFB including Instructions, Specifications, Propcsals and Exhibits may be obtained at the above address.

LOUISIANA HOUSING COUNCIL

By: Gertrude Broach
LHC Insurance Chairman
ATTEST: Philip W. Miller
LHC Executive Secretary
January 14, 21 & 28

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Kramer report

Continued from page 3

money for 39 years at the rate they did from 1987-1989 before exhausting their net worth, the report says. However, if they lost money at the rate they did in 1988, their worst year, they would be broke in 13.7 years.

The weakest 20% of property/casualty insurers reported net income for the three-year period.

The study, which compares risk levels among property/casualty insurers, life insurers and commercial banks, was commissioned last summer by the Insurance Information Institute and released last week at the III's annual meeting in New York.

Mr. Kramer, who served in 1986 as vice chairman and executive director of New York Gov. Mario Cuomo's Commission on Liability Insurance, currently is executive director of the California Workers Compensation Rate Study Commission.

"Barring a series of major catastrophes or an earthquake of unprecedented severity in modern United States history, a large property and casualty insurance insolvency in the foreseeable future is extremely unlikely," the report says.

"While the solvency threats facing some life insurance companies are somewhat greater, we believe the failure of a major carrier is unlikely," the report adds.

Mr. Kramer noted in an interview, however, that it is "easy to say we will never have a top company fail because by the time they fail, they have fallen" out of the top dozen companies.

The report notes that Mission Insurance Co. ranked 81st in 1980 but had fallen to 181st in 1985 when it was placed in conservation.

For property/casualty insurers, the major solvency threats are, according to the report: the risk of a major earthquake; enormous unforeseen environmental cleanup costs; rate suppression by regulators; and difficulties determining the reserves that will be needed to cover future claim costs in an uncertain legal environment.

Nonetheless, unless one or more of these factors "spiral out of control, there does not appear to be a serious threat of a systemic solvency crisis for property and casualty insurance," the report says. "Over the next five years, we would attach a low probability to insolvencies reaching the point that they created serious dislocations in the insurance system."

For life companies, the primary risks to solvency are identified as: the credit quality of some assets, like commercial real estate and lower-quality bonds; a regional economic downturn for companies with geographically concentrated real estate investments; maturity mismatches between assets and liabilities; and liquidity risk for "weakly capitalized carriers in a risk-sensitive financial environment."

However, the report finds that for most life insurers, "overall asset portfolio risk level remains within control."

In comparison, the major solvency risks for commercial banks are, according to the study: the industry's high operating leverage; deteriorating credit quality for banks with high-risk lending profiles; the vulnerability of geographically concentrated lending business to regional economic downturns; rising capital costs imposed by public policy and the marketplace; and liquidity pressures as depositors and investors withdraw support in response to rising risk levels.

"There is a reasonable probability that over the next several years, commercial bank failures will rise significantly, producing insolvency rates not seen since the latter part of the Depression," the report says. "Whether such a scenario reaches the point of a systemic solvency crisis would depend on whether some large institutions become victims of the carnage, and this is not knowable today."

All three business sectors have seen profits decline in the 1980s (see chart, page 3).

"Today, every sector of the financial industry suffers from excess capacity: too many players chasing too few good business opportunities," the report observes. "In a competitive market, excess capacity produces inadequate returns, and the prospect of inadequate returns will encourage some firms to take greater risks."

The response of regulators, the report suggests, "should be to ruthlessly cull excess capacity by eliminating weak players from the market as rapidly as possible."

The study examined the "weakest of the weak: the companies that actually lost money in 1989," to determine what percent of industry assets these companies held and how long it would take for them to go broke:

• The 140 property/casualty insurers that lost money in 1989 represented 7.3% of industry assets and would exhaust their net worth in 9.6 years.

• The 261 life insurers that lost money in 1989 represented 9% of industry assets and would go broke in 8.3 years.

• Commercial banks that lost money in 1989 represented 20.8% of industry assets and continuing their 1989 losses would exhaust their capital by the end of 1992.

In "debunking the thrift/insurer comparison," the study admits that the "risk levels" in insurance today are higher than a decade ago, but asserts that they are of a "different order of magnitude and a different character than those that existed for thrifts as early as the late 1970s."

The thrift industry was already insolvent at the start of the 1980s, while the insurance industry today is solvent, the report points out.

In addition, regulators decided to deregulate the thrifts to allow them to try to "grow their way out" of their financial problems, a policy "never even considered in the insurance context."

"And perhaps most fundamentally," the report says, "nothing in the insurance context approximates the federal deposit insurance subsidy that fueled the growth of the weakest and riskiest thrifts."

The report also analyzes the investments of insurers and commercial banks.

While banks and life insurers both have portfolios of commercial real estate mortgages, "bank financing is more heavily weighted toward the high-risk, high-return front end of the development process" and "life insurers characteristically focus on lending for commercial properties where tenants have already signed leases."

Life insurers' mortgage holdings in 1989 constituted 19% of assets, while nearly half of all assets were in investment-grade bonds. Non-investment grade bonds accounted for 3.9% of assets and real estate 2.2%.

Property/casualty insurers, in comparison, invest conservatively and in reasonably liquid assets, the study found: In 1989, nearly 70% of assets were in investment-grade government and corporate bonds, while stocks made up 14% of assets, real estate holdings only a bit more than 2% and non-investment grade bonds less than 1%.

In an analysis of the property/casualty insurance business, the study found that operating income fell during the 1980s because underwriting losses increased. Mr. Kramer blames higher underwriting losses on the "modern tort law revolution," the industry's "intensely competitive structure," and in the late 1980s, "rate suppression and the dramatic expansion of severely underpriced residual markets."

Workers compensation insurance and private passenger auto insurance, which together produced 49% of the industry's premiums in 1989, are the most subject to rate suppression and residual markets, the report points out.

Even after investment income, insurers lost five cents per premium dollar on workers compensation in 1989 and two cents per premium dollar on private auto insurance, the report says.

Mr. Kramer suggests in the report that instead of denying insurers adequate rates to make insurance affordable, regulators should permit the "development of minimum coverages that entail lower costs."

Otherwise, Mr. Kramer suggests in the report, society is "attempting to socialize the cost of public priorities through a private market mechanism."

Citing both the losses on workers compensation and auto insurance and the funding of the nation's environmental cleanup effort with the capital of insurers, the report says: "If a serious property and casualty insurer solvency crisis occurred, it would likely be because society chose to socialize the costs of its priorities through private institutions, and that it continued to do so until those institutions ran out of capital."

Rather than regulatory and social forces, the high interest rate environment that began in the 1970s transformed life insurers, the report says. As consumers demanded new interest rate-sensitive products, some insurers sought higher asset yields that involved increased investment risks, the report explains.

However, "risk tolerances on the investment side have declined, and in recent years the percentage of high-risk assets such as non-investment grade debt has declined," the report says.

Of the $85 billion in non-investment grade bond holdings in 1989 by life insurers, 84% was held by 159 insurers, which represent 24% of the industry's statutory net worth, the report says.

"Many of the low-rated bonds held by life insurers involve private placements, which frequently are not readily marketable but are strongly collateralized and quite secure," the report adds.

Reviewing the profit outlook for the life insurance business, the report says "earnings and profit margins should continue to improve in the 1990s." Life insurers are "emphasizing profitability over growth," the report observes, by returning to traditional product lines, reducing interest in expanding into other businesses like securities and abandoning unprofitable lines of business.

But, the report notes, claims related to acquired immune deficiency syndrome "could significantly reduce profitability for some carriers."

Other conclusions of the study include:

• Guaranty fund coverage should be extended only to individuals and small businesses, excluding "large, presumptively sophisticated commercial insureds."

• Consolidation of the banking and insurance sectors largely will occur through voluntary mergers and acquisitions, not outright failures. ■

Insurers need support for positions: Leaders

By DOUGLAS McLEOD

NEW YORK—The insurance industry faces a host of legislative and regulatory challenges in the coming decade and must work harder to attract support for its positions on these issues, industry leaders say.

Insurers must develop a consensus to confront the challenges, including efforts to repeal the McCarran-Ferguson Act's antitrust exemptions, concerns about solvency regulation and active consumer groups, industry leaders said at the joint annual meetings of the Insurance Services Office Inc., the American Insurance Assn. and the Insurance Information Institute.

"We seem better at identifying our enemies than our friends," said William E. Thiele, outgoing chairman of ISO and president of New York-based Continental Corp. "This industry needs more friends and fewer enemies, and I would urge you to go out and find them."

ISO has already changed markedly in response to criticism that it inhibited competition among insurers, said ISO President Fred R. Marcon.

The organization is phasing out the publication of advisory rates and instead is providing advisory prospective loss costs, on which insurers can base their own rating decisions.

And last week it appointed the second non-insurer member to its board of directors (see story, page 44).

While noting that ISO has evolved in a "well-planned and orderly" way to meet the demands of insurers, producers and regulators, Mr. Marcon warned against the long-term negative impact of "quick fixes" to insurance pricing and availability problems.

Industry critics and others, for example, contend that repealing insurers' antitrust exemptions would create more competition and bring down prices.

Consumer advocates and politicians, however, have used the debate over the McCarran-Ferguson Act to score quick political points without looking carefully at whether McCarran reform would actually solve problems like high auto insurance costs.

Industry critics cannot show that the repeal of McCarran-Ferguson would actually foster competition, Mr. Marcon said, predicting that repeal would actually produce higher insurance prices and less competition.

If ISO were barred from providing services to insurers following repeal of McCarran-Ferguson, insurers would have to assume these tasks themselves, something no single insurer could do as efficiently, Mr. Marcon argued.

"If each of ISO's 1,500 participating insurers had to do what ISO now makes available to all, the cost increases that would have to be passed on to consumers would be enormous," Mr. Marcon said. "Simply, when the proven economies of scale are compromised, costs go up. How does adding costs to an already overburdened system solve anybody's

Continued on next page

Leaders

Continued from previous page

problems?"

Rising costs also would put pressure on smaller insurers to merge or withdraw from various markets, he added. This would create reduced competition, reduced availability and fewer options for insurance buyers, he said.

"I don't see that as a fix, quick or otherwise," he said.

Calling on insurers to reject what he called a "quick fix" like McCarran-Ferguson reform, Mr. Marcon urged them instead "get on the consumers' side" by pursuing policies that promote efficiency and lower costs.

In his speech, AIA President Robert E. Vagley noted five trends that could affect the insurance industry:

- Widespread voter disaffection with political leadership. If the economy sours further and voters become angry, politicians may look for scapegoats and the insurance industry could become a prime target, Mr. Vagley warned.
- Mounting fiscal pressure at the federal, state and local levels. As governments seek ways of raising revenue without raising individual income taxes, insurers could be hit with higher direct taxes or hidden taxes through mandated subsidies in areas like health and auto insurance.
- General anxiety over the health of the financial services sector, which could lead to stricter insurance regulation.
- An increasingly volatile regulatory environment. Public attitudes are shifting away from deregulation toward re-regulation and a growing number of politicians are campaigning on pro-regulation platforms. Insurers are seeing this change in congressional debates on McCarran-Ferguson and solvency regulation, as well as in state rate rollback initiatives and other consumer legislation (see story, page 1).
- Falling national trade barriers. U.S. regulators will play a key role in determining how effectively U.S. insurers can compete internationally.

Given these trends, Mr. Vagley called on insurers to become more active in setting the agenda on issues affecting the insurance industry and to come up with creative solutions to industry problems.

"Participating in the agenda-setting process requires us to be flexible in accommodating others' points of view. It requires us to abandon the industry's political isolation," Mr. Vagley said.

One AIA goal this year, he said, is to help form a legislative consensus on solvency regulation.

The House Oversight and Investigations Subcommittee—chaired by Rep. John Dingell, D-Mich.—is reviewing suggestions for improving solvency regulation, and Mr. Vagley testified last year that the idea of a federal regulatory role should be considered (*BI*, Sept. 24, 1990).

The solvency debate is related to several other industry challenges. Among them, said Mr. Vagley, are rate rollback initiatives, tax increases, workers compensation reform and pollution cleanup liabilities imposed by the federal Superfund law.

"The solvency debate offers us a major political opportunity to turn around the way Congress and the public view our industry," Mr. Vagley said. "It gives us an opportunity to differentiate insurance from other segments of the financial services sector under fire."

On the federal level, the AIA plans to continue fighting repeal of McCarran-Ferguson, he said, noting that "the bell to start the debate" sounded earlier this month when Rep. Jack Brooks, D-Texas, reintroduced a McCarran-Ferguson reform bill (*BI*, Jan. 7).

Other items on the AIA's agenda include pushing for Superfund reform and fighting efforts by banks to enter the insurance business.

The organization also plans to push workers compensation reform bills in Colorado, Massachusetts and Minnesota, while helping implement similar legislation passed last year in California, Florida, Texas and other states.

Robert J. Vairo, outgoing AIA chairman and chairman of Crum & Forster Inc., complained about the situation in which insurers now find themselves: caught between newly invigorated regulators on the one hand and consumer activists and "an increasingly generous judiciary" on the other.

"Even as the (National Assn. of Insurance Commissioners) considered President Earl Pomeroy's solvency agenda, commissioners across the country were taking huge slices out of requested workers compensation rate increases," Mr. Vairo complained. "And while Congressman Dingell was releasing his study of insurer insolvencies, consumer activists were attending seminars on how to pass rate reduction ballot initiatives.

"These paradoxes suggest that fundamental challenges remain to our industry's ability to continue performing its risk-spreading function," he said.

"We must persuade our regulators that it is not in any state's long-term interest to artificially depress insurance prices, and that it is in every state's best interest to reform its injury reparations systems.

"And we must encourage our regulators to rededicate themselves to the central goal of insurance regulation: the preservation of this industry's ability to fund its obligations to policyholders and claimants," Mr. Vairo said.

III President Mechlin Moore appealed for greater industry support of the III's communications efforts and called for unity among insurers in the face of the industry's many challenges.

There is a "crying need" for greater communication among insurers, legislators, regulators and consumers, and "this will require more than lip service. It will require long-term financial commitments on a scale the industry has been unwilling to fund up to now," commented Mr. Moore, who will retire as the III's president this year.

"We are viewed as a united monolith and attacked as such by our adversaries," he added. "Yet, in fact, we are so divided, so fragmented, that we cannot defend ourselves, let alone mount an effective, pro-active campaign.

"I suggest that you unify as advocates for solvency regulation to reinforce public confidence in the promise of insurance at a time when we are being accused of harboring the next (savings and loan) crisis," Mr. Moore said.

Newly elected III Chairman Gerald A. Isom echoed these sentiments.

"We must unify and concentrate our efforts to answer forcefully the growing criticisms of our industry," said Mr. Isom, president of Transamerica Insurance Group. ■

Insurer groups elect officers

NEW YORK—Three insurer trade organizations elected new directors and officers at their joint annual meeting in New York last week.

New officers and board members were elected by the Insurance Services Office Inc. and the Insurance Information Institute, both based in New York, and the Washington-based American Insurance Assn.

ISO elected Walter E. Farnam, president and chief operating officer of General Accident Insurance Co. of America, as its new chairman. Mr. Farnam succeeds William E. Thiele, president and chief operating officer of Continental Corp.

Peter Lardner, president and chief executive officer of Bituminous Fire & Marine Insurance Co., was elected ISO's vice chairman, succeeding Mr. Farnam.

Ann Friedlaender, a professor of economics and civil engineering at the Massachusetts Institute of Technology, became the second public, non-insurer member of ISO's board of directors. The organization last year named its first public board member, Christopher C. DeMuth, president of the American Enterprise Institute for Public Policy Research.

Also elected to ISO's board for three-year terms were Galen R. Barnes, vp with Nationwide Insurance Co.; William W. Fox, president and chief operating officer of Providence Washington Insurance Co.; Thomas A. Hayes, executive vp with Great American Insurance Co.; Don W. Montgomery, chairman and chief executive officer of Celina Mutual Insurance Co.; J. John Wortman, president and chief operating officer of Michigan Mutual Insurance Co.; and Joseph H. Youngs, chairman of Nationale-Nederlanden North American Corp.

The III, meanwhile, elected Gerald A. Isom, president and chief executive officer of Transamerica Insurance Group, as chairman.

Mr. Isom had been acting chairman since the Dec. 31 resignation of James J. Cutro, former vice chairman and chief administrative officer of Crum & Forster Inc. Mr. Cutro resigned from Crum & Forster Dec. 31 (*BI*, Jan. 7).

Donald R. Frahm, chairman and chief executive officer of Hartford Insurance Group, was named chairman-elect of the III, and Robert F. McDermott, chairman and chief executive officer of United Services Automobile Assn., was named vice chairman.

Member companies elected to fill expiring terms on III's board are Atlantic Mutual Insurance Co., Bituminous Fire & Marine Insurance Co., CIGNA Corp., Crum & Forster, Hartford, The Home Insurance Co., Metropolitan Property & Casualty Insurance Co., Skandia America Reinsurance Corp. and Utica Mutual Insurance Co.

Separately, the AIA elected Dean R. O'Hare, chairman and chief executive officer of Chubb Corp., as the organization's new chairman, succeeding Robert J. Vairo, chairman and president of Crum & Forster.

William E. Buckley, chairman and chief executive of Royal Insurance Group, was named chairman-elect of the AIA, replacing Mr. O'Hare.

The newly elected vice chairmen of the AIA are Robert B. Sanborn, president and chief operating officer of Orion Capital Corp., and Joseph W. Brown Jr., president of Fireman's Fund Insurance Co.

The AIA also elected the following industry officials to its board of directors for three-year terms: Edward H. Budd, chairman and chief executive of Travelers Corp.; Kenneth J. Duffy, president and chief executive of Commercial Union Insurance Cos.; Frederick H. Jarvis, chairman and president of Selective Insurance Group Inc.; David A. Kocher, president of the commercial insurance division of Aetna Life & Casualty Co.; John P. Mascotte, chairman and chief executive of Continental Corp.; Russell J. Seifert, president of Republic Insurance Co.; and Wilson Wilde, president and chief executive of The Hartford Steam Boiler & Inspection Insurance Co.

Douglas W. Leatherdale, chairman and president of The St. Paul Cos. Inc., also joined AIA's board as a member of a class of directors whose terms will expire in 1992. ■

McCarran

Continued from page 3

operating nationally.

Asserting that solvency requires that the industry "be allowed to be profitable," Mr. Fowler also called for continued battle against state rate rollback initiatives (see story, page 1).

AIG's Mr. Greenberg also complained about guaranty fund protection of commercial policyholders, rate rollback laws and other regulatory curbs on insurer operations

"The regulatory environment we have really inhibits competition to an extent," Mr. Greenberg said. He noted that the goals of a free market economy are "inconsistent" with such regulatory "safety nets" as guaranty fund protection for commercial lines policyholders.

"The winners in a market economy have to win and not have to bail out the losers, which is what we do," he said.

Panelists agreed that insurers have been hurt by rate regulation, legislation and ballot initiatives on auto and workers compensation coverages.

How to respond to these problems produced some disagreements among the industry officials, though.

Mr. Fowler noted that CIGNA—expecting continuing deterioration in the private passenger auto line—is pursuing a plan to withdraw from that market. "While I have declared myself a non-combatant, I wish the rest of those in the fray the best of luck," he said.

Mr. Greenberg

Mr. McFerson

However, Nationwide's Mr. McFerson called for an ongoing fight against rate rollback initiatives like California's Proposition 103, along with efforts to hold down the rising costs of fraud, theft and litigation and to educate policyholders on the costs that underlie auto insurance pricing.

Mr. Greenberg said AIG plans to start underwriting auto coverages in a new way with the aid of technology he declined to describe in detail.

A discussion of the workers comp market also elicited differing views among insurer panelists.

While noting that the short-term prospects for insurer profitability in workers comp are "bleak," Mr. Fowler expressed some optimism over the long-term prospects.

Unlike auto insurance, workers comp involves "fewer constituencies," Mr. Fowler said. He explained that workers comp insurers deal mainly with businesses rather than a far-flung population of individual policyholders.

Insurers thus stand a better chance of explaining to policyholders the forces driving up costs, and there is a greater commonality of interest between insurers and policyholders, he said.

Mr. Fowler added that "it would be foolish to assume" that the problems with workers comp can be solved without a push by insurers, and he called for aggressive efforts to push workers comp reform bills in state legislatures.

Hartford's Mr. Frahm observed that for a time insurers did little to push workers comp reform because their workers comp losses were offset by profits in other lines of coverage.

He added, though, that the problems now call for urgent action and must be fought state by state.

Differing from Mr. Fowler's assessment, Mr. Greenberg offered a gloomy long-range forecast for workers comp: He said he sees little reason to hope that workers comp costs will be brought under control and that with economies souring in many states, pressure to keep premiums low will continue.

"I'm very pessimistic about the future. Nobody is facing the reality of it," he said. "To believe that this is just a passing storm is a very, very wrong statement."

Discussing the question of when the property/casualty market cycle will turn, most panelists expressed uncertainty, though Mr. Frahm predicted that a turn may be closer than many people think.

Mr. Frahm cited many factors that could precipitate a market turn: Losses are rising, insurance industry cash flow is negative, investment income is unlikely to rise in a period of falling interest rates and a weak stock market and insurer balance sheets have not improved markedly over the last two years.

Whether these factors change a particular company's pricing practices will depend on that company's financial condition, he added.

"The return on equity for the insurance industry is pitiful," Mr. Greenberg agreed.

While arguing that insurers must focus on this when setting rates, he added that the market may not turn until the industry is hit with a huge loss.

Mr. Fowler

Mr. Frahm

Mr. Fowler agreed that insurers may not be feeling enough pain for the market to turn.

"Not being much of a masochist myself, I find the level of pain being experienced by my organization is sufficient now," he added.

Mr. Clements urged insurers to take advantage of the next hard market to cement relationships with their policyholders by providing capacity and good products and service. He argued that this would go a long way toward stabilizing the market.

Panelists agreed unanimously that the Superfund act—reauthorized by Congress last year to the surprise of many insurers—has produced huge costs to insurers but very scant results in cleaning up polluted sites.

Noting that "the current system is not working," Mr. Frahm complained that billions of dollars have been spent on litigation to determine who must pay for cleanups, with little progress being made in mitigating pollution.

Agreeing that the most anyone can expect under the current law is "years and years of debilitating litigation" between policyholders and insurers, Mr. Clements warned that "terrible enervating drain on their relationship is worse for the insurance industry than it is for the plaintiffs."

Mr. Greenberg repeated his call for a no-fault environmental trust fund that would eliminate the current practice in which 60% of available cleanup funds are spent litigating who should be responsible for the pollution (*BI*, March 6, 1989).

He added insurers must continue to fight the "retroactive liability" being imposed by courts that interpret insurance policies to include coverage of pollution-related costs when no such coverage was intended.

"It's dumb to do too little about this," he said, noting that it would set a disastrous precedent not to challenge judicially imposed retroactive liability.

Mr. Greenberg added that there is still an opportunity to fight the Superfund law, noting that Congress is due to review the Superfund reauthorization in a year.

III President Mechlin Moore moderated the discussion. ■

Industry solvency

Continued from page 3

"You have Chairman Dingell's full attention," Mr. Chesson told the 350 insurance and reinsurance company executives at the joint annual meeting of the American Insurance Assn., Insurance Services Office Inc. and the Insurance Information Institute.

"This is his top priority in the new Congress," he said.

"We won't pass needless legislation if the job is being done," Mr. Chesson added. "But we won't be bound by past constraints about the sanctity of any given philosophical approach to the solvency problem."

Mr. Chesson's proposals, made during a panel discussion on insurer solvency, were quickly criticized by Earl R. Pomeroy, North Dakota insurance commissioner and past president of the National Assn. of Insurance Commissioners.

Mr. Pomeroy contended that "a federal regulatory structure that goes awry can wreck an industry."

While allowing that asking the industry and regulators to jointly set rules and monitor and enforce them "has some appeal," he added that the "notion doesn't have a snowball's chance in hell of getting enacted."

The public, already considering whether insurers' antitrust exemptions should be repealed, "won't tolerate turning over to the insurance industry a major solvency policing function which would have the industry ultimately setting its own prices," said Mr. Pomeroy.

Furthermore, federal involvement in solvency regulation would leave rate regulation up to the states, Mr. Pomeroy suggested. But, "the largest motivation for a regulator to play it straight with premium rates is the prospect of going around and picking up bankrupt companies. If the state regulator is responsible for premiums but not for solvency, you are going to have a disaster."

Mr. Litan

Mr. Chesson said he found it curious to hear the commissioner say, in effect, "If you think we are irresponsible now, take solvency regulation away from us and we'll be really irresponsible."

But Robert E. Litan, a senior fellow with the Brookings Institution, a liberal think tank, agreed to a point with Mr. Pomeroy. "If solvency is vested in the feds, there will be overwhelming consumer pressure exercised with state legislatures to restrict rates, as we already see now. We'll see a lot more of that if there effectively is no state regulator who can respond and say, 'We have a solvency problem.' "

In an ideal world, Mr. Litan suggested, there would be a "grand compromise": a federal charter for federally regulated insurers, with pre-emption of state regulations on rates and elimination of McCarran-Ferguson antitrust exemptions.

At the very least, he said, there should be a federal certification program for reinsurers to create "an approved list of federally qualified reinsurers."

Mr. O'Hare

Mr. Pomeroy

"That's a Utopian dream," Mr. Pomeroy said of a system of federal charters and pre-emption of state regulation. Congress would not pass enabling legislation, he predicted.

But, he added, if the industry asks for it, "it will get a federal overlay" of regulation, even though the steps the NAIC has taken to improve state regulation for solvency represent the "best route possible" (*BI*, Dec. 3, 1990).

Panelist Dean R. O'Hare, chairman and chief executive officer of Chubb Corp. and newly elected chairman of the AIA, said that the AIA "applauds" NAIC efforts to improve state regulation, but has "an open mind" to a federal role.

"We are dead set against duplication of regulation," he emphasized.

Panelist Arthur Snyder, president and chairman of A.M. Best Co., the insurer rating organization, said he believes the insolvency problem has been blown out of proportion.

Mr. Snyder

An analysis by Best's of the 365 insurer insolvencies over the last 20 years shows that only one-third of 1% of insurers became insolvent in the first 10 years of the period and only two-thirds of 1% in the last 10 years.

Industry surplus dropped one-fifth of 1% in the last 10 years due to insolvencies, he added.

Best's also has developed a profile of an insolvent company, Mr. Snyder reported:

- 41% were fewer than 10 years old.
- 62% had less than $5 million in surplus.
- 75% were stock companies.
- 81% had unusual net premium growth—either none at all or more than 25% in the two to three years preceding insolvency.
- 50% were domiciled in one of six states, the names of which Best's will release when its full solvency study is released in March.

Half the insolvencies were due to a combination of rapid growth, underpricing and the resulting deficient loss reserves, Mr. Snyder said. Another 20% were due to fraud, including deceptive or misunderstood financial reporting. Fifteen percent were due to a significant change, like in ownership, management or type of business written. And, 15% were due to inadequate reinsurance protection for catastrophic or unusual losses or inability to collect reinsurance.

Mr. Snyder said he is "very pleased" with the overall balance sheet of the property/casualty insurance industry.

Of its $530 billion in assets, 60% is invested in bonds, three quarters of which are government and tax-exempt bonds. Another 10% is invested in stocks, 10% in premium balances, 7% in cash, 5% in investments in affiliates and 8% in all other.

The all other category includes just $6 billion invested in mortgage loans, he said. Eighty percent of that total is with six insurers, which he refused to identify except to say "they are strong companies."

On the liability side of the balance sheet, Mr. Snyder conceded that loss reserves are probably deficient, but not by enough to cause concern.

Mr. Chesson countered that consumers don't buy a policy "from the industry," but from an insurance company, and regulation should be improved to "get the bad actors out of the marketplace." ■

War risk underwriting

Continued from page 1

ance Group P.L.C.

It is difficult to predict what underwriters will charge as the U.N. deadline nears this week because this conflict poses a greater threat to insurers than any previous conflict, according to Stephen Merrett, chairman of Lloyd's Underwriters' Assn. and chairman of underwriting agency Merrett Holdings P.L.C.

"The scale of armament immediately available in this conflict so exceeds the elements we have confronted before that I don't think there is a valid comparison," said Mr. Merrett.

The situation is changing so fast that Lloyd's of London could open on Saturdays and Sundays, if necessary, for brokers and policyholders to review their policies, Chief Executive Alan Lord said last week.

Lloyd's was last open on a Saturday in 1965 because of delayed Jan. 1 renewals, he said. It has never been open on a Sunday.

Mr. Lord and Lloyd's Chairman David Coleridge will make the final decision whether to open the market within two hours of the time it is requested.

War risk rates are particularly volatile for airlines flying to, from and over 14 Middle Eastern nations following the $300 million aviation hull war risk loss in August when most of the Kuwait Airways fleet was confiscated following the Aug. 2 Iraqi invasion. The countries are: Bahrain, Cyprus, Dubai and other parts of the United Arab Emirates, Egypt, Iran, Israel, Jordan, Lebanon, Oman, Qatar, Saudi Arabia, Syria, Turkey and Yemen.

Just after Jan. 1, leading aviation hull war risk underwriters told aviation brokers that rates for the Middle East would skyrocket and requested that most airlines answer questions about their intended operations before and after the U.N. deadline and if hostilities break out.

Underwriters last week were reviewing the answers, said Mr. Merrett.

Airlines and brokers predict that following the review, aviation hull war risk underwriters will impose an extensive exclusion zone in the Middle East, which could go into effect this week. This would mean that no commercial flights or ground equipment would be covered for war risk in the area.

Aviation war risk underwriters have never imposed an exclusion zone before, even during the eight-year Iran/Iraq war.

However, Mr. Merrett, a leading aviation hull war risk underwriter, believes governments, rather than underwriters, will tell airlines not to fly over certain areas.

An exclusion zone "is much more likely to be imposed by passengers and crew than by underwriters," he said.

Meanwhile, airlines and aviation brokers last week said aviation hull war risk underwriters were charging exorbitant premiums—up to 10 times the rates of several weeks ago—for each flight stopping in any of the 14 Middle Eastern countries.

Mr. Merrett, however, asserts that airlines have overstated the rate hikes. "Some of the numbers quoted in the press from statements by the airlines I suspect are a very long way indeed from the price that has been finally negotiated," he said.

Premium hikes have already prompted some airlines to cut flights to the Middle East or divert scheduled refueling stops for flights to the Far East. Other airlines are considering removing all aircraft from the region to avoid any uninsured war risk losses.

Higher insurance costs caused Pan American World Airways Inc. in New York to indefinitely suspend flights to two Middle East destinations, a spokeswoman said.

A seven-day suspension announced Jan. 2 was continued indefinitely last week.

Total war risk insurance costs for a single Pan Am flight to the Saudi Arabian capital of Riyadh hit $162,500 in early January, a tenfold increase from the $16,250 charged previously. At the same time, total insurance costs for a flight to Tel Aviv, Israel, jumped to $65,000, a twentyfold increase from the $3,250 charged previously, the spokeswoman said.

"It was not economical for Pan Am to continue under these conditions," she said. Pan Am plans to continuously review its decision to cancel the flights.

Mr. Merrett believes governments, rather than underwriters, will tell airlines not to fly over certain areas. An exclusion zone 'is much more likely to be imposed by passengers and crew than by underwriters,' he says.

Premium hikes also are affecting the 42 air carriers in the world's largest aviation insurance buying group, the KSSAF Group, which has a combined fleet value of more than $17 billion. The group of primarily European airlines is led by Swissair Transport Co. Ltd., Scandinavian Airline System and KLM Royal Dutch Airlines.

The group's hull war risk rates were increased Thursday for all flights that land in the 14 Middle Eastern countries for less than five hours, including those flights to the Far East that stop in the nations to refuel or change crews. Premiums are doubled if a plane stays on the ground longer than five hours.

This is similar to terms quoted for other airlines, brokers and underwriters agreed.

According to KLM insurance manager Frans Husmann, the hull war risk insurance cost for KSSAF group members' flights to Tel Aviv will be 10 times what it was previously. For flights to Saudi Arabia north of the Tropic of Cancer, the cost has increased five times, and the cost has doubled for flights to southern Saudi Arabia, he said.

War risk insurance costs for flights to Egypt, Qatar and Dubai have increased sixfold, said Mr. Husman.

As a result of these increases, KLM—like other airlines—has taken alternative actions, he said, including:

- Reducing flights to Tel Aviv to three from four per week.
- Canceling all flights to Amman, Jordan.
- Altering routes to the Far East so that that long-haul flights that formerly stopped in Dubai will fly the "Tashkent" route over the Soviet Union.

The only stop for KLM in the Middle East on a long-haul flight to the Far East will be in Muscat, Oman, on a flight bound to Hong Kong, said Mr. Husman. Each landing, however, will cost the airline 100,000 guilders ($57,700) for hull war risk insurance, four times more than it had paid prior to last week, he said.

But Mr. Husman is not bitter about the premium increases. "I hate to pay higher rates, but I can understand in my mind why underwriters are charging more. I hate to admit it, but. . . ." he said.

Besides, "if there is a war, nobody will fly there anyhow," he said.

Airline cargo shipment costs to the Middle East increased by 300% to 800% because of the higher premiums sought by hull war risk underwriters, reported M.C. Shermer, director-risk management for Federal Express Corp. in Memphis, Tenn.

The largest increases were for destinations in Israel and Saudia Arabia north of the Tropic of Cancer, he said.

London underwriters are becoming "more and more concerned" as the Jan. 15 deadline nears without resolution of the stalemate, he said. Premium quotations that were good for seven days in December dropped to 48 hours in early January, he said.

"Probably everyone's war risk coverage will be on hold by the 15th," Mr. Shermer said, explaining that insurance for Middle Eastern flights after Tuesday probably will have to be placed on a per-flight basis.

While Federal Express is continuing to operate in the Middle East and still has employees stationed there, "we are pulling back some," he said, declining to discuss operational details.

"Insurance is not the only issue here," he emphasized. "The total issue is: Are you endangering people and property?"

Growing tension in the Middle East—and higher insurance costs—has only slightly affected operations at Trans World Airlines Inc.

Despite higher insurance costs, the airline is continuing its regular flights to the Middle East, a spokesman said last week. TWA is making some operational changes, which he refused to discuss. "This is a very sensitive subject."

And British Airways is "still flying everywhere," including the Middle East, said Peter Lerwill, its insurance manager. "The market has increased rates, as has been publicized, and the market is treating every airline the same. It's expensive."

Meanwhile, marine hull and cargo war risk underwriters—many of whom also write aviation hull war risk coverage—also have doubled or tripled premiums for voyages to and from Middle Eastern ports. Some underwriters are charging up to five times what they were charging before Jan. 4.

Marine hull and cargo war risk premiums are not likely to become as prohibitively expensive as aviation hull war risk premiums. "History has proven that aircraft are bigger targets (than ships)," summed up Mr. Parton of GRE.

Marine hull underwriters since the New Year have quoted rates for certain areas of the Persian Gulf and the Red Sea on a "held cover" basis, which means that minimum rates suggested by market leaders do not apply and that each underwriter can quote whatever rate he wants.

The areas that were switched to a "held cover" basis since the New Year include the Persian Gulf coast of Saudi Arabia, Bahrain and Iran north of 28 degrees latitude. War risk rates to Israel have been on a "held cover" basis since before Iraq invaded Kuwait.

One hull war risk underwriter last week was charging a premium of 5% of the insured value for each seven-day voyage to northern Saudi Arabian ports on the Persian Gulf, compared with 1% before Jan. 1, said Michael Howard, divi-

Continued on next page

War risks

Continued from previous page

sional director of Leslie & Godwin Marine. "Other underwriters are asking 10%," he said.

For the Red Sea coast of Saudi Arabia, hull underwriters last week were generally charging a minimum of 0.25% of the insured hull value, compared with 0.05% before New Year's, added Mr. Howard.

Cargo underwriters also are taking steps to appoint certain areas as "held cover," particularly Saudi Arabian ports north of Bahrain. One underwriter quoted a rate of 0.5% of insured cargo value for a tanker sailing to Jubail, Saudi Arabia—compared with 0.375% in September—but only for a sailing on or before Jan. 11, said one London cargo broker.

Marine insurance rates have fluctuated widely in recent months, noted David Barksdale, manager of corporate programs for Chevron Corp. in San Francisco.

Hull and cargo war risk coverage costs have risen to up to $500,000 per voyage, compared with $12,500 several months ago, he said.

The cost of tanker hull war risk coverage has hit up to 1% of insured value from 0.025% in August. Cargo war risk rates likewise have risen to 0.5% of insured value from 0.025%, he said.

Rates for both hull and cargo coverage dropped to about 0.2% of insured value in early January, Mr. Barksdale said last week, but he expected the cost to rise as Jan. 15 approaches.

"As you get closer to the Jan. 15 deadline, you will find everything in a state of chaos as far as rates and underwriting participation," he said. "You take it day by day to see what happens."

One Chevron tanker typically is in the Persian Gulf area three times a month. ■

Update

Huge holiday storm losses

RAHWAY, N.J.—The last two catastrophes of 1990 caused an estimated $440 million of insured property damage, reports the Property Claim Services division of the American Insurance Services Group.

The division estimates that the severe cold weather that gripped much of the nation Dec. 18-25 caused the large majority of insured property damage—$400 million—and $200 million of that occurred in California (*BI*, Jan. 7; Dec. 31, 1990).

Severe weather caused an estimated $40 million of insured property damage to portions of Indiana, Illinois, Ohio and Washington state Dec. 27-30, with Washington sustaining $25 million of the total damage.

Employers' health burden rises

WASHINGTON—Employers are paying almost one-third of the nation's health care costs, a federal agency says.

The Department of Health and Human Services reported last week that employers spent $173.4 billion on health care in 1989, up 12.3% from $154.4 billion in 1988, when health care spending was up 12% from $137.8 in 1987.

In 1965 employers spent only $6.5 billion for health care, HHS noted.

HHS also found that the percentage of health care costs paid by businesses increased to 30% in 1989 from 17% in 1965. During the same period, the percentage of health care costs paid by individuals dropped to 37% from 61%.

Health care spending by business in 1989 equaled 100% of corporate aftertax profits, compared with 14% in 1965, HHS noted.

HHS Secretary Louis W. Sullivan calls these trends a "severe challenge" to health care policy makers to control costs. "The ability of business, government, and households to meet other responsibilities and needs is diminished when their health care costs are growing faster than their financial resources," he said.

Briefly noted

A New Jersey Superior Court judge has approved a rehabilitation plan that allows **Warwick Insurance Co.** to resume writing new and renewal commercial liability insurance. Warwick, which entered rehabilitation last year, has since eliminated a $5.8 million surplus deficit, the company announced (*BI*, June 25, 1990). . . **U.S. Oil & Refining Co.** is "adequately covered" under its all-risk property insurance program for the undetermined cost of cleaning up 11,500 barrels of crude oil that spilled near Seattle's Puget Sound last week through a break in an underground pipeline used to carry oil unloaded from tankers in the sound to the company's refinery, said Risk Manager R.E. Kokesh. About 10,000 barrels had been recovered late last week. . . Exxon Co. U.S.A. has reached an undisclosed settlement of claims filed by seven major Seattle-based seafood processors arising from the 1989 **Alaskan oil spill** in Alaska's Prince William Sound. Exxon had approximately $400 million of pollution liability coverage to respond to spill-related claims. So far, Exxon has paid $240 million to more than 14,000 claimants and has spent $2.2 billion on cleanup costs, a spokesman said.

War cover scarce for property

By STACY SHAPIRO and LAURA MAZZUCA

LONDON—Physical damage to Middle East oil installations is unlikely to be insured for war risk if fighting breaks out.

However, some government political risk agencies may cover property damage. And a few U.S. insurers, like Chubb & Son Inc., write land-based war risk coverage in connection with political risk coverage.

Under the Waterbourne Agreement—signed by underwriters after the Spanish Civil War and revised in 1982—most of London's war risk insurance market cannot write coverage for land-based property damage caused by war.

That agreement lets underwriters insure movable "waterbourne" risks like ships and cargo—but not standing oil drilling platforms.

Underwriters also are allowed to write war risk coverage for aviation, hull and machinery as long as the equipment is for airborne purposes, explained a spokesman for Lloyd's Underwriters' Assn.

Only late last year were Lloyd's of London underwriters allowed to write war risk coverage for contractors' plant construction and equipment. Such a policy can be written only in conjunction with political risk confiscation insurance, the spokesman confirmed.

One of the few insurers to offer property damage coverage for war and related risks under political risk contracts is Chubb.

The Warren, N.J.-based insurer has no "significant" exposures in the Middle East because many policyholders with operations in the region have not purchased political risk coverage, said Donald Mergen, vp and international department manager. Requests for the coverage are not increasing, he said. "It would be like going to an underwriter and asking him to insure a burning building."

Most multinational corporations operating in the area, though, have obtained political risk coverage and anti-terrorism consultation since Iraq invaded Kuwait Aug. 2.

"Most people were judicious and prudent and made the decision" to purchase political risk insurance and set up security procedures early in the Gulf crisis, said David A. Samuel, divisional vp of AIU Special Services in New York, a unit of American International Group Inc.

Political risk insurance covers contractual losses caused by terrorism, civil commotion and other political factors. Among the risks that can be covered are confiscation, contract repudiation, detention of employees, and kidnap and ransom. Property damage is normally excluded.

And, like all other insurance policies, political risk excludes losses caused by war between the five permanent members of the U.N. Security Council—the United States, the Soviet Union, the United Kingdom, France and China—or by nuclear attack. That exclusion does not apply to wars between a permanent member and other nations.

Political risk underwriters currently face "tens of millions of dollars" of losses caused by the "detention" of thousands of employees following the Iraq invasion of Kuwait last year, said Kit Brownlees, managing director of London political and credit risk brokerage Investments Insurance International Ltd., a subsidiary of Hogg Group P.L.C.

"Detention (premium) rates are higher now—double what they were before," he said.

Many firms with kidnap and ransom coverage are seeking to add a detention extension clause to their policies, which would be triggered by a government taking employees hostage, a situation which is ordinarily excluded from a standard K&R broad form, said Albert M. Van Wagenen, vp of Professional Indemnity Agency Inc., an underwriting manager in Pleasantville, N.Y.

Contract frustration coverage remains available in the Middle East, except for Iraq, Kuwait and parts of Saudi Arabia, said Mr. Brownlees.

However, other underwriters and brokers disagreed, saying that political risk coverage for the Middle East had all but dried up.

"It is very unlikely that anything would be available," said Anthony Palmer, marketing director of London political risk broker Berry Palmer & Lyle Ltd. "It's unlikely anything will be available until the dust settles."

Despite the uncertainty surrounding the Jan. 15 deadline, requests for political risk coverage have not increased, said Benno Friedman, vp-financial services division of Alexander & Alexander of New York Inc.

Many insurers, brokers and security consulting firms do report increased calls for information on K&R coverage as well as advice on how to protect employees in the Middle East. Small companies, just now realizing they need protection, are especially eager for information.

"There's no question that we're seeing more new submissions," up almost 20% from last year at this time, Mr. Van Wagenen said. PIA writes kidnap and ransom insurance and coverages that indemnify policyholders for losses related to property damage or harm to individuals arising from extortion.

So far, capacity for such coverage is strong and prices fairly competitive, so latecomers are discovering that "it's better late than never," said John Willyard, a vp with Sedgwick James Inc. in New York. Prices and availability depend on variables like location, prior incidents, the type of facility and coverage, he said.

Many security consultants are handling 11th-hour calls about employees in the Middle East.

"I've had two calls in the last half-hour from long-time clients looking for advice," said Herb Clough, executive vp of international operations for Paul Chamberlain International, a Beverly Hills, Calif.-based security consultant.

Mr. Clough noted that he also is receiving requests for advice from corporations that until now have not needed information. "But if you ever did, now is the time."

Philip Huntley, vp of Argen Inc., a New York-based anti-terrorism consultant, reported a "major upsurge" in calls for advice from corporate clients compared with last fall (*BI*, Nov. 26, 1990). "People are becoming increasingly concerned about Iraqi terrorism, especially in Europe," he observed.

Mr. Clough advises companies to avoid international travel whenever possible. When travel is necessary, he recommends flying neutral airlines, like Scandinavian Airline System and KLM Royal Dutch Airlines.

Once workers arrive at their destination, they should check daily with the U.S. Embassy or with a security consultant on travel conditions, Mr. Clough said.

Minnesota Mining & Manufacturing Co. last week restricted international trips to those approved by an area vp. Before making such a trip, employees will be briefed by the company's security department.

Restrictions will not apply to travel within North America. But St. Paul-based 3M has ordered all U.S. employees in Europe and all European employees in the United States to return to their home countries.

"This precautionary action is designed for the safety of 3M employees and will remain policy until the situation in the Gulf region has stabilized," says a bulletin issued to employees. ■

War risk cover sought from U.S.

By MEG FLETCHER

WASHINGTON—Some U.S. airlines and shipowners are seeking war risk insurance through federal agencies as tensions mount in the Middle East.

New York-based Pan Am World Airways and Federal Express Corp. of Memphis, Tenn., are among the air carriers that have applied to a federal war risk insurance program for private commercial flights, which is available at least through Feb. 5, said a spokesman for the Federal Aviation Administration.

The federal program, which is sanctioned for 60-day periods, may provide hull and liability war risk coverage for any U.S. aircraft or foreign aircraft owned by an American corporation (*BI*, Sept. 10, 1990).

Airlines, however, must demonstrate that commercial coverage is unaffordable or unavailable and the FAA must determine that the flight operations are in the national interest, the FAA spokesman said.

"We haven't reached a firm decision about rates," the spokesman said. However, if the coverage is written, the rates will probably be "quite a lot cheaper than what is being quoted in the London market now" (see related story).

The program, part of the Federal Aviation Act of 1958, was reactivated last August after laying dormant for more than a decade. It last had been used during the Vietnam War to insure commercial flights to Saigon.

A different federal insurance program is available to most of the 28 U.S. airlines—including most of the major ones—that participate in the Civil Reserve Air Fleet operated by the U.S. Military Air Command, said Master Sgt. Chuck Jones, a MAC spokesman.

The airlines in the program have or have had federal contracts to carry military cargo or passengers. Those contracts stipulated that in an emergency they could be called upon to assist the military, he explained.

The airlines participating in the CRAF program—including St. Paul, Minn.-based Northwest Airlines Inc.—would be eligible for free aircraft hull and liability coverage through a military war risk insurance program.

The coverage provided under the FAA's program protects airlines from aircraft hull and liability losses. It is available because most airlines have demonstrated that commercial insurance is either unaffordable or unavailable, said Anthony Ptacek, a senior attorney with the Military Air Command at Scott Air Force Base near Belleville, Ill.

Commercial insurance policies would respond, however, to accidents caused by mechanical failures or other factors not related to combat, Mr. Ptacek said.

The CRAF program considers Operation Desert Shield a Stage I operation, which allows the military to call up a maximum of 38 airplanes, according to Master Sgt. Jones.

The secretary of defense must approve activation of two subsequent phases, he said: Stage II could require up to 187 aircraft and Stage III could required up to 506 aircraft, including 31 airborne medical units.

Meanwhile, several shipowners recently applied for federal government coverage for private commercial shipments, said a spokesman for the U.S. Maritime Administration.

The program, part of the Merchant Marine Act of 1936, will be in effect at least through Feb. 17. It offers hull, liability, seaman's and perhaps some cargo coverage for U.S. ships, foreign ships owned by U.S. companies and, in some instances, for foreign-owned ships carrying cargo bound for the United States.

Those shipments, however, must be considered in the national interest.

The program was activated in response to the Persian Gulf crisis (*BI*, Aug. 27, 1990). Before that, portions of the program were last activated during the Vietnam War.

Coverage was approved last August for a single voyage by one company, New York-based Waterman Steamship Corp. But commercial hull war risk rates dropped after that, reducing demand for the government coverage, the Maritime Administration spokesman said.

The program is designed to offer "fairly sizeable discounted rates," the spokesman said.

The Maritime Administration also oversees a program that provides free hull, liability and seaman's insurance for private vessels that are used to support the U.S. military.

Since August, coverage has been approved for more than 180 vessels, the spokesman said. ■

Product liability

Continued from page 3

port product liability settlements or court awards.

Manufacturers already were required by law to report to the CPSC if they had a product that could be dangerous, noted Pamela Gilbert, legislative director of Public Citizen's Congress Watch, which lobbied for consumer interests as the law was being drafted.

But, "that has not worked, mostly because it's vague," Ms. Gilbert said. "The manufacturer will just say, 'I don't think my product's dangerous.' "

The new law eliminates the "wiggle room" manufacturers had in determining whether their products should be reported, she said. "The point of reporting is not to say something has been proven. The point is to give the commission information so it can investigate."

However, Jan Amundson, general counsel for the National Assn. of Manufacturers in Washington, D.C., said she thinks manufacturers that believe they may have a dangerous product already report to the CPSC as required.

The CPSC typically has received about 150 such reports annually, said David Schmeltzer, director of compliance for the agency.

Victor Schwartz, a defense attorney who lobbied for business interests in the legislation, called the law a fair compromise between manufacturers and consumer advocates.

Manufacturers might have preferred no reporting requirement, while consumer advocates wanted a broader reporting requirement, pointed out Mr. Schwartz, who is with Crowell & Moring in Washington, D.C.

Mr. Schwartz noted that the law requires that the information manufacturers provide the CPSC will be available only to the agency and certain members of Congress. This means the new law will not provide a "bread basket for the plaintiffs bar" and should not trigger an increase in product liability claims, he said.

And, Public Citizen's Ms. Gilbert noted that members of Congress already have access to CPSC information that cannot be publicly revealed. "We don't see terrible abuses where Congress is disclosing it to the public or it's on the front page," she said.

"It's a very small step in the right direction in terms of issuing health and safety information that ought to be out in the public domain," said Stuart M. Statler, deputy executive director of the Assn. of Trial Lawyers of America and a former member of the CPSC.

Most observers, including insurers, said they do not expect the new law to trigger higher rates for product liability insurance—at least not right away.

"This is a reporting requirement. It doesn't impose any more liability on anybody," said Tom O'Day, associate vp of the Alliance of American Insurers in Washington, D.C.

But Mr. O'Day, noting that about 50% of the cost of product liability insurance is based on legal costs, said rates could rise in the future if increased litigation results from the new law.

Manufacturers increasingly realize they need to avoid and correct product defects to maintain market share, and this trend toward product improvement will mitigate the impact of any increase in litigation resulting from the new law, said Lawrence L. Drake, a managing director of Marsh & McLennan Inc. of New York.

Keith Kaplan, assistant vp in the risk management division of Reliance National Insurance Co. in Philadelphia, also said he did not think the new law will drive up product liability insurance rates.

He noted that manufacturers of products that could be involved in incidents leading to death or serious injuries generally have "sizable retentions." Therefore, "whatever effect this would have on the loss ratio would be borne by the insured," he observed.

In addition, "the present legal climate around product liability" is an incentive for companies to make safer products, Mr. Kaplan said.

A spokesman for Aetna Life & Casualty Co. of Hartford, Conn., said the law was not expected to have a direct impact on Aetna's product liability rates. And, a spokesman for The Home Insurance Co. in New York said the law could affect product liability rates for specific companies but would not have an across-the-board effect.

However, some observers fear the information reported to the CPSC will be made public, which could lead to additional product liability litigation.

And, even if the present secrecy provision is not violated, "once you've opened up the door on something like this, they can always change the requirements at any time," NAM's Ms. Amundson observed.

But, Mr. Statler disputed the contention that making the reports public could lead to increased product liability litigation.

"Cases aren't going to suddenly come out of the blue because information comes to attorneys," Mr. Statler said. "If you're going to have litigation, you've got to have victims."

Some observers complain that the new law will require manufacturers to report cases involving products that might not be dangerous, but they do not expect manufacturers to change their litigation practices.

"Practicality" will continue to prompt manufacturers to settle lawsuits involving products the companies believe are not dangerous, said Norman B. Chanzis, a senior consultant at Corroon & Black Co. of New York, a subsidiary of Willis Corroon Corp., and formerly risk manager of American Standard Inc. of New York.

However, these settlements will have to be reported to the CPSC, he said. "I'd be nervous about the repercussions, and the manufacturers might not get a fair hearing" if the CPSC investigates the product's safety, he said.

NAM's Ms. Amundson said she did not think the new law will change companies' policies on settling lawsuits. In some cases, a manufacturer may believe settling a case will save money in the long run, and the possibility of having to report to the CPSC would not necessarily affect that decision, she said.

Mr. Schwartz said he would advise that manufacturers not settle cases in which they do not believe they are liable.

And, if companies agree to settle a case that alleges "horribly exaggerated" grievous bodily injury, the settlement should be contingent on the plaintiff amending the lawsuit to reflect actual injuries, he said. That way, under the new law, the manufacturer would never have to report the settlement to the CPSC, he said.

But, if the claim of grievous injury "is based in fact, the settlement should be made, and after three such cases, it should be reported to the CPSC," Mr. Schwartz said.

Ms. Amundson said Mr. Schwartz's idea for settling cases that inaccurately allege grievous bodily injury could be useful. But, she said, a manufacturer might not want to hold up a settlement to obtain an amended complaint.

However, others think the law will influence manufacturers' decisions on settling cases.

The law will "probably make us less likely to willingly settle into a compromise situation," said John Brouch, director of risk management for American National Can Co. of Chicago. If manufacturers face higher legal costs by refusing to settle as many cases, then increased insurance product liability rates could result, he said.

Richard S. Betterley, president of Richard S. Betterley Risk Consultants Inc. in Worcester, Mass., also believes some manufacturers will change their approach to settling cases.

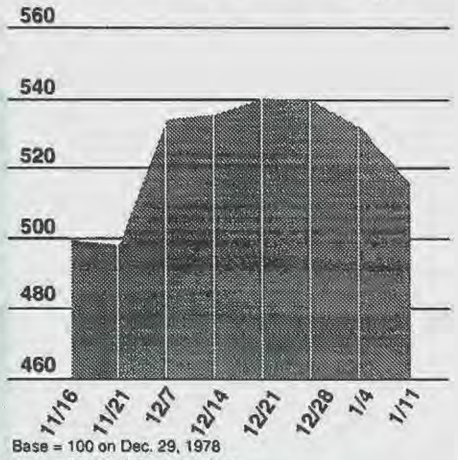
"If management believes as I do that it will be more damaging to report these things, the tendency will be to say, 'Let's avoid settling the suit,' " Mr. Betterley said.

Meanwhile, to ensure it obtains required information, the CPSC is working on a system for obtaining information on judgments and settlements from federal courts, Mr. Schmeltzer said.

The CPSC also is trying to get such information from state courts, but that is more difficult to obtain, he said.

Mr. Schwartz observed that the CPSC also could learn about manufacturers failing to follow the reporting law if other parties informed the commission about the cases. ■

BI Insurance Index



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

Insurance industry stocks dropped sharply last week, as the *Business Insurance* Index fell 16.2 points to 516.3 on Jan. 11, from 532.5 on Jan. 4. Advancing issues for the week were led by Argonaut Group, up 20.3%; Sierra Health Services, up 8.3%; and Ohio Casualty Corp., up 5.4%. Declining issues for the week followed AmBase Corp., down 15.3%; Washington National Corp., down 13.5%; and HMO America Inc., down 11.3%. The most active issue for the week was NAC Re Corp., 4.4 million shares traded. The *BI* Index was down 3.5% for the period; the Dow Jones 30 Industrials fell 2.5%; and the New York Stock Exchange Composite and the Standard & Poor's 500 each dropped 1.8%.

British Issues

Jan. 10 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence pence
Comml Union	453	20.7	28.7	6.3	453—447
Genl Accident	478	14.4	33.4	7.0	483—468
Gdn Royal Exch	188	16.4	15.3	8.1	195—188
Royal	389	20.7	34.0	8.7	389—387
Sun Alliance	317	11.3	16.7	5.3	326—317
Brokers					
Bradstock	250	14.1	12.0	4.8	252—250
CE Heath	450	13.0	34.5	7.7	457—450
Hogg Group	160	10.5	9.7	6.1	160—157
Lloyd Thompson	302	20.2	10.0	3.3	302—299
PWS Holdings	87	10.6	4.7	5.4	91—87
Sedgwick Grp	231	17.3	16.0	6.9	231—229
Steel Brnl Jones	258	15.3	14.7	5.7	260—258
Willis Corroon	261	19.3	16.0	6.1	267—261

Source: Philip Olsen, Insurance Industry Analyst London

BI Industry Stock Report

JANUARY 7, 1991 THROUGH JANUARY 11, 1991

		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
BROKERS												
Alexander & Alexander	NYS	21.75	-4.40	-5.95	29.50	16.13	313	1.00	4.60	18	9.18	2.37
Gallagher Arthur J. & Co.	NYS	21.63	-4.42	-6.99	25.00	19.75	11	0.60	2.77	17	5.33	4.06
Frank B. Hall	NYS	3.50	3.70	-3.45	4.25	2.00	47	0.00	0.00	-5	-2.80	-1.25
Hilb, Rogal & Hamilton	OTC	13.00	-1.89	-11.86	17.50	11.25	31	0.36	2.77	17	4.60	2.83
Marsh & McLennan	NYS	71.88	-4.17	-7.85	81.00	59.75	901	2.60	3.62	17	10.56	6.81
Poe & Associates	OTC	8.50	0.00	6.25	13.00	7.75	2	0.40	4.71	12	1.93	4.40
BROKERS	AVERAGE		-1.6	-4.3					2.6	11		
CONGLOMERATES & HOLDING COMPANIES												
Berkley W.R. Corp.	OTC	36.50	-2.99	-2.67	44.75	28.50	54	0.44	1.21	10	25.06	1.46
Berkshire Hathaway Inc.	NYS	6800.00	-0.73	1.87	8900.00	5675.00	0	0.00	0.00	21	2869.00	2.37
ITT (Hartford Group)	NYS	47.13	1.07	-1.82	60.88	40.25	1040	1.72	3.65	6	56.33	0.84
Sears (Allstate)	NYS	25.00	-2.44	-1.48	41.88	22.00	2546	2.00	8.00	8	37.75	0.66
CONGLOMERATES	AVERAGE		-1.3	-1.0					3.2	11		
INSURERS/REINSURERS												
Aetna Life & Casualty	NYS	35.38	-3.08	-9.29	55.00	29.00	1006	2.76	7.80	7	58.11	0.61
Ambase Corp.	NYS	0.34	-15.27	9.90	10.88	0.16	1067	0.00	0.00	0	29.08	0.01
American General	NYS	28.75	-2.13	-6.50	50.63	23.50	1514	3.20	11.13	6	34.68	0.83
American Heritage	NYS	20.38	0.00	-2.98	24.63	19.63	3	1.00	4.91	10	22.60	0.90
American Indemnity/Fin'l	OTC	4.00	0.00	23.08	8.25	2.75	2	0.08	2.00	-2	17.38	0.23
American International	NYS	73.13	-1.52	-4.88	82.63	57.00	1494	0.44	0.60	11	41.92	1.74
Aon Corp.	NYS	34.38	-0.72	-1.08	41.38	26.75	325	1.52	4.42	9	19.62	1.75
Argonaut Group	OTC	71.00	20.34	10.94	78.00	53.00	35	1.60	2.25	7	36.83	1.93
AVEMCO Corp.	NYS	24.38	-2.50	-3.47	30.13	21.13	10	0.44	1.81	16	9.52	2.56
Baldwin & Lyons Inc.	OTC	18.00	-4.00	-4.00	23.00	17.75	9	0.28	1.56	6	20.80	0.87
Belvedere Corp.	ASE	2.75	4.76	10.00	5.38	1.75	1	0.04	1.45	-4	8.03	0.34
Chandler Insurance	OTC	6.50	4.00	-5.45	11.63	4.50	15	0.00	0.00	4	9.53	0.68
Chubb Corp.	NYS	52.63	1.20	-3.00	54.75	34.63	1049	1.32	2.51	10	55.49	0.95
CIGNA Corp.	NYS	37.13	-2.94	-9.17	55.63	33.25	755	3.04	8.19	11	66.64	0.56
CNA Financial Corp.	NYS	63.50	-3.42	-7.47	91.25	49.50	155	0.00	0.00	11	54.87	1.16
Continental Corp.	NYS	23.25	-3.13	-6.53	31.38	15.75	328	2.60	11.18	8	41.36	0.56
Durham Corp.	OTC	27.50	-3.51	-1.79	34.00	23.00	8	0.92	3.35	12	26.32	1.04
Fund American Corp.	NYS	51.63	-1.90	-0.48	53.00	29.50	709	0.68	1.32	129	32.74	1.58
Fremont General Corp.	OTC	14.25	-0.87	-1.72	21.63	10.13	113	0.80	5.61	4	19.09	0.75
Frontier Insurance Group	NYS	18.75	-6.25	-1.32	33.00	14.13	19	0.00	0.00	8	7.29	2.57
General RE Corp.	NYS	87.50	-0.57	-5.91	93.25	69.00	769	1.52	1.74	13	29.04	3.01
Hanover Insurance Co.	OTC	26.00	0.97	-1.89	31.00	21.00	126	0.44	1.69	12	32.03	0.81
Harleysville Group	OTC	21.75	-3.33	-4.92	26.50	13.50	40	0.64	2.94	7	18.94	1.15
Hartford Steam Boiler	NYS	47.88	-4.73	-1.79	62.13	43.50	94	1.80	3.76	13	18.94	2.53
Kansas City Life Ins.	OTC	30.50	0.83	-1.21	36.50	30.00	2	1.12	3.67	7	39.22	0.78
Kemper Corp.	NYS	21.88	-7.89	-7.89	46.00	17.13	299	0.92	4.21	78	29.97	0.73
Lawrence Insurance Group	ASE	6.88	1.85	-1.79	9.13	6.50	0	0.36	5.24	11	4.40	1.56
Liberty Corp.	NYS	39.75	-1.85	-3.34	50.25	39.00	26	0.92	2.31	9	31.82	1.25
Lincoln National	NYS	39.63	0.32	-7.85	58.75	30.75	159	2.72	6.86	8	49.19	0.81
NAC Re Corp.	OTC	29.50	-2.07	-10.61	37.25	25.50	4411	0.20	0.68	13	22.81	1.29
Navigators Group	OTC	32.75	-0.76	0.00	33.75	24.75	16	0.00	0.00	13	15.22	2.15
Nobel Insurance LTD.	OTC	3.00	0.00	0.00	3.75	1.63	23	0.00	0.00	-300	7.76	0.39
NWNL Companies	NYS	18.00	1.41	6.67	41.13	11.75	214	1.32	7.33	4	37.50	0.48
Ohio Casualty Corp.	OTC	44.00	5.39	7.32	50.75	26.75	483	2.32	5.27	11	33.30	1.32
Old Republic Int'l	NYS	22.50	0.00	-1.64	27.00	19.00	147	0.76	3.38	5	30.70	0.73
Orion Capital Corp.	NYS	17.00	-3.55	-2.86	23.00	13.00	116	0.92	5.41	5	19.72	0.86
Phoenix RE Corp.	OTC	7.75	-1.59	0.00	13.00	5.00	41	0.20	2.58	-10	12.99	0.60
Protective Life Corp.	OTC	14.63	0.00	-1.68	16.75	10.25	13	0.76	5.20	8	14.54	1.01
Provident Life	OTC	16.25	-2.99	-7.14	26.25	12.00	251	0.92	5.66	4	23.24	0.70
Re Capital Corp.	ASE	12.75	-1.92	-0.97	14.75	11.50	17	0.00	0.00	9	14.43	0.88
RLI Insurance Corp.	NYS	12.75	-8.11	-12.07	14.88	8.50	81	0.44	3.45	6	12.42	1.03
St. Paul Companies	OTC	59.50	-0.21	-5.18	66.00	47.00	968	2.40	4.03	7	43.47	1.37
SAFECO Corp.	OTC	31.88	-1.54	-3.04	39.38	25.13	1997	1.36	4.27	8	24.87	1.28
SCOR U.S. Corp.	NYS	11.75	0.00	-5.05	13.63	8.38	21	0.20	1.70	10	10.61	1.11
Seibels Bruce Group	OTC	4.75	-5.00	11.76	11.75	4.25	17	0.36	7.58	-1	13.75	0.35
Selective Ins. Group	OTC	13.50	2.86	1.89	19.13	12.50	70	1.04	7.70	5	15.72	0.86
Statesman Group Inc.	OTC	1.59	-1.91	1.98	2.88	1.25	159	0.00	0.00	3	4.19	0.38
Tokio Marine & Fire	OTC	47.25	-3.57	0.00	67.50	34.50	25	0.26	0.55	28	70.93	0.67
Torchmark Corp.	NYS	49.00	-0.25	0.26	52.75	38.00	370	1.40	2.86	11	13.23	3.70
Transamerica	NYS	30.75	0.00	-5.75	43.00	23.25	493	1.96	6.37	8	34.63	0.89
Travelers Corp.	NYS	16.88	0.00	1.50	36.38	11.50	1134	1.60	9.48	-9	44.85	0.38
Trenwick Group Inc.	OTC	21.75	0.00	-5.95	25.25	16.25	92	0.48	2.21	9	16.91	1.29
United Fire & Casualty	OTC	34.75	0.72	-1.07	36.00	28.75	0	1.32	3.80	8	22.56	1.54
USF&G Corp.	NYS	8.00	-5.88	6.67	30.13	7.00	935	1.00	12.50	5	22.87	0.35
UNUM Corp.	NYS	43.38	-4.14	-6.97	57.13	32.13	395	0.80	1.84	9	31.20	1.39
USLICO Corp.	NYS	16.50	3.13	3.94	23.75	14.75	60	1.00	6.06	6	27.73	0.60
USLIFE Corp.	NYS	27.50	-1.35	-1.79	42.50	23.25	85	1.48	5.38	7	54.34	0.51
Unitrin	OTC	30.50	4.27	-0.81	34.75	24.50	454	0.80	2.62	13	33.99	0.90
Washington National	NYS	9.63	-13.48	-11.49	26.38	9.63	71	1.08	11.22	40	32.90	0.29
Zenith National Ins.	NYS	13.25	-4.50	-2.75	18.75	9.88	201	1.00	7.55	9	13.81	0.96
INSURERS/REINSURERS	AVERAGE		-1.4	-1.7					4.2	6.4		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	OTC	12.00	-11.11	-21.31	22.00	9.75	508	0.00	0.00	10	3.54	3.39
HMO America Inc.	OTC	5.88	-11.32	-9.62	7.50	4.25	145	0.00	0.00	8	1.12	5.25
Pacificare Health Sys.	OTC	15.50	-1.59	-4.62	26.00	12.00	33	0.00	0.00	10	6.35	2.44
Safeguard Health Enter.	OTC	4.63	-3.91	-2.63	8.00	4.00	5	0.00	0.00	10	2.99	1.55
Sierra Health Services	ASE	13.00	8.33	-5.45	14.00	5.50	105	0.00	0.00	163	0.62	20.97
United Healthcare Corp.	OTC	21.38	0.59	-8.06	24.00	7.88	1901	0.12	0.56	22	0.34	62.87
United Medical Corp.	ASE	7.50	-4.76	-6.25	11.38	6.38	4	0.20	2.67	10	5.70	1.32
U.S. Healthcare	OTC	25.75	-0.48	-12.34	29.88	9.63	0	0.36	1.40	23	3.07	8.39
HMOs	AVERAGE		-3.0	-8.8					0.6	32		
ALL COMPANIES	AVERAGE		-1.5	-2.6					3.5	9		

System design: Nordby International Inc.