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Update

PRMC reinsurers challenge $94.5 million arbitration award

LOS ANGELES—Six reinsurers in the defunct Pacific Reinsurance Management Corp. pool are asking a federal judge to vacate a $94.5 million arbitration award on the grounds that a PRMC lawyer and the arbitration umpire had a "personal relationship."

Kroll & Tract, the New York-based attorneys for the reinsurers, charged in a motion last week that umpire William C. McIlwaine Jr. had a "previously undiscovered" relationship with attorney

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Policyholders cheer cleanup cover ruling

Superfund costs insurable: Court

By STACY ADLER

OLYMPIA, Wash.—Policyholder attorneys nationwide are hailing the Washington Supreme Court's recent ruling that the costs of a government-ordered pollution cleanup are insurable as one of the most important decisions of its kind.

The Jan. 4 ruling marked the first time that a state supreme court has interpreted standard language in comprehensive general liability policies that states the insurer "will pay on behalf of the insured all sums which the insured shall become legally obligated to pay as damages."

The court ruled that this language includes the cost of responding to a government order to clean polluted property (*BI*, Jan. 8).

However, attorneys representing insurers are downplaying the significance of the decision.

Because insurance contracts are governed by state, not federal, law, the nation's 50 state supreme courts will be the final arbiters of the ongoing battle over whether the costs of responding to a government order to clean up a polluted site are insurable under comprehensive general liability policies, policyholder attorneys say.

"Ultimately, interpretation of insurance contracts is a matter of state law," explained attorney Robert Sayler of Covington & Burling in Washington, D.C.

"State supreme court decisions are the final resolution of these issues," said Mr. Sayler, who represented The Boeing Co. in the litigation.

In addition, policyholder attorneys point out that several federal appellate court decisions favoring insurers could be undone by state supreme court decisions favoring policyholders.

"What a supreme court of a state says about an insurance contract is authoritative in a way a federal court decision is not," Mr. Sayler said.

"Federal courts are simply predicting what a state supreme court would rule," he explained.

As a result, "federal appellate decisions are subject to being obliterated by state supreme court rulings," said William Greaney of Covington & Burling.

To date, both the 8th U.S. Circuit Court of Appeals and the 4th U.S. Circuit Court of Appeals have ruled that the costs of responding to a government cleanup order are not insurable (*BI*, March 7, 1988; July 27, 1987).

The 8th Circuit interpreted Missouri law, while the 4th Circuit interpreted Maryland law.

To date, neither the Missouri Supreme Court nor the Maryland Court of Appeals, that state's highest court, has reviewed cases involving coverage for government-ordered cleanups.

However, at least five other

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Goals of new OSHA leader: 'Fair, firm and consistent'

By ADRIENNE C. LOCKE

WASHINGTON—The Occupational Safety and Health Administration is beefing up its assault against employers with unsafe workplaces and poor record keeping.

The agency, armed with a substantial budget increase for the first time in several years and a 16.6% increase in the number of inspectors in the past four months, will be hitting targeted employers with more workplace safety, health and record keeping inspections this year, said Assistant Labor Secretary and recently confirmed OSHA Administrator Gerard F. Scannell.

And, the workplace safety agency will maintain the policy established under Mr. Scannell's predecessor of proposing enormous fines against employers that allegedly have violated federal safety standards.

However, the agency's ultimate goal is to help employers comply with the guidelines, rather than mete out penalties after employers violate them, emphasized Mr. Scannell, a former OSHA regulator who also has dealt with the agency as a corporate safety director.

The new OSHA director says he wants the agency to foster a reputation among employers and labor as "firm, fair, and consistent," in part by appointing for the first time an assistant director to aid communication among the agency, employers and labor.

Observers say Mr. Scannell has his work cut out for him.

Some critics charge that OSHA's mammoth fines are undermined by the agency because it often settles with employers for a fraction of the amounts.

In addition, employers are clamoring for the agency to develop more favorable and more clearly worded standards.

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Corcoran leaving post, blasts critical report

By MEG FLETCHER

NEW YORK—Outgoing New York Insurance Superintendent James P. Corcoran is denying another state official's charges of ongoing "fraudulent activities" and lax management controls at the state Insurance Department's Liquidation Bureau.

Mr. Corcoran, who has headed the nation's largest state insurance department since 1983, announced early last week that he would resign effective Jan. 26 to join a New York law firm with a substantial insurance practice.

However, Mr. Corcoran's resignation was soon upstaged by state Comptroller Edward V. Regan's announcement Wednesday that he had uncovered "serious" problems at the Insurance Department's Liquidation Bureau.

Both Gov. Mario Cuomo and Mr. Corcoran denied any current wrongdoing at the department and said Mr. Corcoran's resignation was unrelated to the charges.

"This is the most unethical, sleazy, political assassination job," Mr. Corcoran said Thursday from Colorado, where he had just begun a skiing vacation.

However, Mr. Corcoran acknowledged that the Liquidation Bureau previously discovered a few problems that stemmed from the rapid growth in insurance company liquidations the division handled in the mid-1980s. The bureau remedied most of the problems administratively, though legal action is pending in one case, according to a 14-page letter Mr. Corcoran sent to the governor on Thursday.

Meanwhile, Gov. Cuomo has nominated Salvatore R. Curiale, executive director of the state's competitive workers compensation fund, to succeed Mr. Corcoran as insurance superintendent, pending confirmation by the state Senate.

Mr. Corcoran, 44, will become a partner in the firm of Wilson, Elser, Moskowitz, Edelman & Dicker, a leading insurance defense firm. He plans to focus primarily on international insurance issues, which will allow him to avoid conflicts with a state ethics law that bans him from lobbying his former department for at least two years, Mr. Corcoran said.

While insurance industry observers were quick to laud Mr. Corcoran's performance as superintendent, Mr. Regan said in a two-page statement released Wednesday that the comptroller's office had uncovered major problems at the Liquidation Bureau.

"The risk of continuing fraudulent activities together with uncorrected major operational deficien-

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Linda Lasley of Buchalter, Nemer, Fields & Younger in Los Angeles, which represented PRMC.

In affidavits filed by Kroll & Tract, two private investigators say they observed Mr. McIlwaine and Ms. Lasley at a Chicago hotel Dec. 16 and 17. Elliott M. Kroll of Kroll & Tract also said in a separate declaration that he hired investigators after receiving two anonymous calls about an alleged relationship between Mr. McIlwaine and Ms. Lasley.

Mr. McIlwaine cast the deciding vote in a final 2-1 order in October directing the six reinsurers to pay PRMC $94.5 million (*BI*, Nov. 6, 1989). The reinsurers had argued that their contracts should be voided due to mismanagement and fraud at the Mission Insurance Group Inc. reinsurance pooling subsidiary.

U.S. District Judge Terry J. Hatter has not ruled on subsequent motions by PRMC to confirm the award and by reinsurers to vacate it. A hearing is set for Jan. 29 on the reinsurers' latest motion.

Neither Mr. McIlwaine nor Ms. Lasley could be reached.

Ms. Lasley has "assured us that she has done nothing improper," said Cliff Meyer, a Buchalter, Nemer attorney. He would not elaborate, saying his firm will respond to allegations in court this week.

Kroll & Tract made similar allegations in a request for an emergency hearing that Judge Hatter denied Dec. 21.

Separately, a federal bankruptcy judge has ordered sanctions against Kroll & Tract and a client, Bermuda-based Walton Insurance Ltd., for filing a frivolous motion in PRMC's bankruptcy proceedings. The motion sought to lift a stay barring Walton—which is not among the six PRMC pool members hit with the arbitration award—from pursuing a class-action suit against PRMC.

Judge Lisa H. Fenning found the motion "disingenuous to put it mildly" and noted that Kroll & Tract had frequently been warned about unsubstantiated filings.

"I don't know how else to get through to you folks that coming (up) with these theories that are basically unsupported by fact or law but clearly intended to try to open additional fronts of the war being waged against this debtor is simply not going to fly," the judge said in a hearing last week.

Kroll & Tract also filed its charges against Mr. McIlwaine and Ms. Lasley in bankruptcy proceedings, though the sanctions against the firm were unrelated to this, said Pam Webster, a Buchalter, Nemer lawyer representing PRMC in bankruptcy court.

Mr. Kroll would not comment on the sanctions or explain how allegations of the personal relationship were relevant in the bankruptcy proceedings.

Blues liable in Medicare suit

DETROIT—Blue Cross & Blue Shield of Michigan is liable to the federal government for Medicare overpayments the government made to older workers and spouses insured by BCBSM, a federal judge has ruled.

But, U.S. District Judge George E. Woods also determined in his pre-trial ruling that the Blues are not liable to return Medicare overpayments made on behalf of beneficiaries covered by self-insured plans administered by the Blues. Currently, 60% of the BCBSM's business is made up of self-insured plans, said a spokesman.

It still must be determined which Medicare overpayments resulted when Blue Cross & Blue Shield of Michigan acted as an insurer and how much the government was overcharged.

The federal government is suing BCBSM, alleging that the Blues failed to act as the primary payer of health claims for the working aged and their spouses as required by federal law (*BI*, April 17, 1989; April 3, 1989).

The latest budget reconciliation law requires Medicare contractors to contact employers to determine when older workers are covered under the employer plan. Employers that fail to respond to this request can be fined up to $1,000 per beneficiary.

Award exceeds firm's coverage

HOUSTON—Houston law firm Sewell & Riggs has inadequate errors and omissions coverage to respond to a $17.5 million legal malpractice award to two Houston real estate developers, a spokesman said.

However, the spokesman would not disclose how much coverage the law firm purchased from Austin-based Texas Lawyers Insurance Exchange, which also declined to comment.

A U.S. District Court jury awarded $5.2 million in compensatory damages, $7.2 punitive damages and $5 million in attorneys fees to Ebrahimi and Yousef Panaphour, partners in a real estate development business. The developers alleged that Sewell & Riggs gave them bad advice concerning securities law, which caused them to be sued in connection with a real estate deal several years ago.

EPIC stops writing

CHICAGO—Environmental Protection Insurance Co. Risk Retention Group, which offered environmental impairment liability insurance, is ceasing operations.

"The market simply has not developed" said President George F. Hillier. "It's not a case of financial problems; it's not a case of anybody pulling out."

While increased competition for EIL accounts contributed to EPIC's demise, it was mainly due to lack of interest from buyers, Mr. Hillier maintained. "To quote a hundred risks and to write one, that's just not a good result. How long can you continue to pour money into something with little, if any, expectation of a return?"

EPIC's two major EIL competitors, units of American International Group Inc. and Reliance Group Holdings Inc., do not require capital contributions of policyholders as did EPIC.

Mr. Hillier would not say how many members had joined Illinois-domiciled EPIC, formed in July 1988 by Alexander & Alexander Services Inc. He said only that it was "a relatively small number of insureds. The perception was that we were big. We were not."

EPIC stopped underwriting Dec. 15.

Policies in force will be honored, Mr. Hillier said, unless the buyer

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Decision could widen tobacco firms' liability

By DOUGLAS McLEOD

PHILADELPHIA—Tobacco industry opponents are claiming victory following a federal appellate court decision that throws out the first judgment against a cigarette maker in a smoker's death but may open the door to additional smoker claims.

A three-judge panel of the 3rd U.S. Circuit Court of Appeals overturned a $400,000 award against Liggett Group in a lawsuit brought by Antonio Cipollone, whose wife, Rose, died of lung cancer in 1984.

A federal jury in Newark, N.J., had awarded the damages after finding that Durham, N.C.-based Liggett wrongly implied smoking was safe in advertisements before 1966, when warnings about the health risks of smoking became mandatory (*BI*, June 20, 1988).

The appellate panel concluded that the lower court wrongly barred certain defense evidence and sent the case back for a new trial.

However, the appeals court found that the trial judge improperly dismissed Mr. Cipollone's claim that cigarettes are inherently dangerous and that tobacco companies should be held to a standard of strict liability for smokers' injuries and deaths.

"I think it's quite clear that this is a gigantic breakthrough for the plaintiffs' bar in this area," observed Richard Daynard, a law professor at Northeastern University and chairman of the Boston-based Tobacco Product Liability Project.

The decision opens tobacco companies up to new strict liability claims while limiting their defenses against existing claims that they wrongly warranted smoking's safety in pre-1966 advertising campaigns, Mr. Daynard said.

Mr. Daynard also noted negative stock market reaction as an indication of the ruling's potential impact: Tobacco company stocks declined

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New changes in law

COBRA burden grows

By JERRY GEISEL

WASHINGTON—Congress' latest amendment to COBRA will require employers to extend more generous health care continuation coverage to some former employees than employers had expected.

Meanwhile, benefit consultants are confused about another COBRA change involving dependents of beneficiaries who become eligible for Medicare benefits.

The first amendment, included in the sweeping 1989 budget bill, will allow certain COBRA beneficiaries to retain full COBRA coverage even while covered under a new employer's health care plan.

The amendment removes a provision in the Consolidated Omnibus Budget Reconciliation Act of 1985 that had allowed employers to cancel COBRA benefits for former employees when the employees began receiving health care coverage from a new employer.

This cancellation of COBRA coverage hurt beneficiaries who joined companies whose health care plans denied coverage for pre-existing medical conditions.

However, under a COBRA amendment in the Omnibus Budget Reconciliation Act of 1989, passed by Congress in November and signed by President Bush last month, a beneficiary can now retain COBRA coverage—even after he or she is covered under a new employer's plan—if the new plan excludes coverage for a beneficiary's pre-existing medical condition.

This requirement is beyond what some employers had expected, benefit experts say.

Employers had expected that such beneficiaries would be allowed to retain COBRA coverage only as needed to cover pre-existing conditions excluded under the new plan.

However, the amendment does not specify that COBRA coverage can be limited to the pre-existing medical condition, consultant say.

"As far as I can tell, the employer has to provide full COBRA coverage. I don't see anything that would

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GASB approves final rules on property/casualty claims

By MICHAEL SCHACHNER

NORWALK, Conn.—The Governmental Accounting Standards Board has issued final rules that will require public entities to change the way they report property/casualty claims and other liabilities.

Beginning in 1993, self-insured state and local government entities, other than risk-sharing pools, will be required to report the estimated cost of probable losses on an accrual basis. A public agency's financial statement must include the estimated cost of a probable liability-causing event in the year it occurred or the amount by which an asset is impaired if the amount of the loss can be reasonably estimated.

GASB's issuance of Statement 10 finalizes the terms of an exposure draft it published in December 1988.

Under the provisions of Statement 10, government bodies that do not follow accrual accounting will have to publish qualified financial statements, said Suesan Monks, project manager with GASB in Norwalk, Conn.

Currently, public entities are allowed to report these events on either an accrual or a pay-as-you-go basis without qualifying their financial statements.

While the GASB rules are not popular with public entity risk managers, experts have said that the rules will not jeopardize most public entities' bond ratings (*BI*, July 17, 1989).

In addition to specifying when a public entity must report a liability, Statement 10, beginning June 15, also will require public entity risk pools to follow the current accounting and reporting standards spelled out in Financial Accounting Standards Board Statement No. 60.

FASB 60 requires pools and similar businesses to report losses and premium deficiencies in the year

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Sedgwick regroups

New focus on business, not regions

By STACY SHAPIRO

LONDON—The long-awaited restructuring of Sedgwick Group P.L.C., which became effective Jan. 1, is intended to make the world's third-largest insurance brokerage more client-friendly by organizing operations by types of business rather than by geographic location.

The restructuring, which was initially unveiled last spring, fully absorbs Fred S. James & Co. Inc., the fourth-largest U.S. brokerage, into the London-based parent company (*BI*, Sept. 11, 1989; June 26, 1989; March 6, 1989).

The new Sedgwick Group is divided into four main operating units: Sedgwick James Ltd., Sedgwick Broking Services Ltd., E.W. Payne Cos. Ltd. and Sedgwick Lloyd's Underwriting Agents Ltd.

Three of the units will manage retail, wholesale and reinsurance brokering, while the fourth will be responsible for Lloyd's of London members' requirements.

Perhaps the greatest change is the merger of all worldwide retail brokerage operations, except marine and energy brokerage, under a single banner: London-based Sedgwick James Ltd.

The Sedgwick restructuring is designed with the clients' interests in mind, according to Sedgwick Group Chairman David Rowland.

"What we are trying to do very much is to make Sedgwick client-sensitive," said Mr. Rowland. "We're bringing (retail brokerage) together because it was ridiculous having to explain to our clients that we were not managing it like this already."

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A&A told to pay $27.4 million to policyholder

By LOUISE KERTESZ

LOS ANGELES—Alexander & Alexander Inc. and two units must pay $27.4 million in damages to a former railroad freight car maker left with inadequate product liability coverage after the broker restructured the firm's liability insurance program, a Los Angeles jury decided last week.

The Superior Court jury found that the A&A companies were negligent and breached their contract with Los Angeles-based Whittaker Corp. by placing product liability insurance programs that left Whittaker without coverage for the cost of repairing defects in about 2,000 coal cars it manufactured and sold under warranty through the spring of 1981.

A&A promised Whittaker improved product liability coverage when it persuaded the company to switch brokers in 1979, Whittaker argued in its 1984 suit.

The brokerage "blew it," said Whittaker attorney Lawrence Barth of Munger, Tolles & Olson in Los Angeles. "They just dropped the ball and dropped the coverage and there was no good excuse."

Mr. Barth said he did not have "a clue" why A&A did not place product liability coverage under Whittaker's restructured program that was comparable to the coverage it had under the previous program. "They just didn't notice it. They either didn't read it (the previous policy), or read it and didn't notice, or they noticed it and didn't talk to us about it. We'll never know the answer," he said.

The brokerage—which had argued that Whittaker's excess product liability coverage under its previous liability insurance program excluded coverage for defective railroad cars—said it was reviewing the verdict and may appeal.

A&A would not say whether it had errors and omissions liability insurance to respond to the award.

But it said: "We believe the verdict will not have a materially adverse financial impact on A&A."

Alphabet house brokers were able to buy E&O limits of $250 million in January 1984, but capacity had dropped to about $150 million by the beginning of 1985 (*BI*, Feb. 18, 1985).

In its suit, Whittaker named A&A Inc., a unit of Alexander & Alexander Services Inc., which was also named originally but later dropped from the suit; and units Alexander & Alexander of Texas Inc. in Houston and Alexander & Alexander of California in Los Angeles.

The A&A suit stemmed from a 1984 lawsuit settlement in which Whittaker paid $25 million to Houston Lighting & Power Co., which had bought 1,810 Whittaker railroad cars that subsequently

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Firms' benefits must fit worker lifestyles: Report

By DONNA DiBLASE

Employers in the 1990s will have to tailor benefits to meet workers' needs at different stages of their lives in order to attract and retain the best workers in a shrinking and increasingly diverse labor pool, a new report asserts.

Employee benefits likely to expand in the next decade include child care, elder care, support for pregnant women, prepaid legal plans, flexible work schedules and earned time-off policies, says the report, "A Life Cycle Approach to Family Benefits and Policies," released by the New York-based Conference Board Inc.

However, many employers already offer these benefits and only need to better communicate that their benefit programs represent a "life cycle" package, said the Conference Board, a non-profit organization supported by many groups, including employers, labor, government agencies and educational institutions.

The expansion of "life cycle" benefits will help employers attract and retain valued employees, which will help employers survive in a globally competitive business environment, the report says.

"The corporate culture has historically told employees to leave their personal problems at home," noted Dana E. Friedman, the report's co-author and a Conference Board special consultant. "But for most employees, that's no longer possible because nobody is at home to solve those problems."

Benefit experts agree that flexibility in benefits and work arrangements will be critical to employers' success in the new decade.

"I think the full effects of the labor shortage haven't yet hit, but they will. And, managing diversity, which is the new buzz word, is becoming a necessity," said

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Industry leaders' perspectives

Price competition continues: CEOs

By KATHRYN J. McINTYRE

NEW YORK—Price competition in the commercial property/casualty insurance marketplace marches on, despite recent expectations to the contrary, lament several insurance company chief executive officers.

And their predictions on when commercial insurance rates generally will begin to increase ranged from later this year to five to six years from now.

"I don't think the commercial lines cycle has turned," said William E. Buckley, chairman and chief executive officer of Royal Insurance Group in Charlotte, N.C. "I don't expect it to turn at all until the end of this year."

John J. Byrne, chairman and chief executive officer of Fund American Cos. Inc.—the new name of Novato, Calif.-based Fireman's Fund Corp.—was more pessimistic.

"At the moment, I expect five to six years of 115% to 125%" combined ratios, he said. The industry's combined ratio in 1989 was 110.4%, after dividends (*BI*, Jan. 1).

Mr. Buckley and Mr. Byrne were among five insurance company CEOs participating in a panel discussion dubbed "Public Pressures and Pinched Profits" during the Joint Industry Conference held last week by three leading insurance associations.

The American Insurance Assn., the Insurance Information Institute and the Insurance Services Office Inc. jointly sponsored the conference, which coincided with the three groups' annual meetings and attracted 320 registrants, including CEOs of the major U.S. property/casualty insurers.

Mr. Buckley observed during the panel discussion that "unfortunately, while all of us have said that we have control over commercial pricing, to some extent we have deluded ourselves."

He cited a slew of ISO statistics to make his point: Overall property/casualty premium growth in 1989 was at a historic low of less than 3%; commercial lines premiums were flat or down; the com-

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Superfund dialogue needed

By KATHRYN J. McINTYRE

NEW YORK—The property/casualty insurance industry must negotiate with environmental groups before proposing changes in the liability and cleanup funding provisions of the Superfund law, several Superfund experts agree.

"If it comes from industry, it is dead in the water," warns E. Donald Elliott, assistant administrator and general counsel of the Environmental Protection Agency.

"Try to develop a dialogue with the environmental community," he advised insurance company executives during a panel discussion on "Cleaning Up the Environment—Who's Going to Pay the Cost" at the Joint Industry Conference sponsored last week in New York by the American Insurance Assn., Insurance Information Institute and Insurance Services Office Inc.

The property/casualty insurance industry, which is being sued by its policyholders to cover Superfund cleanup costs, has long advocated amending the 1980 law that holds parties jointly and severally liable for government-mandated cleanups of pollution caused decades ago.

Insurers, which contend their contracts never were intended to cover such liabilities, have advocated a no-fault funding system for cleaning up pollution at Superfund sites that occurred before the Superfund law was passed in 1980, among other reforms.

The Superfund law—officially the Comprehensive Environmental Response, Compensation and Liability

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Insurer seeks new issues forum

By DOUGLAS McLEOD

NEW YORK—Insurers must compromise to solve problems facing the insurance industry and its customers or risk losing a measure of their freedom in the marketplace, an industry executive says.

Insurance executives must create forums for discussing issues with consumer and other groups and must work harder to hammer out consensus solutions to such problem coverages as auto insurance, workers compensation, health care and pollution liability, said Gerald L. Maatman, president of Long Grove, Ill.-based Kemper Group's national insurance companies.

"Fighting defensively, protecting the status quo, insisting on the righteousness of our positions—this is a recipe for failure, a formula for a string of defeats like Proposition 103," Mr. Maatman told members of the Insurance Services Office Inc. at ISO's annual meeting in New York last week.

The meeting was part of the Joint Industry Conference, which also included the annual meetings of the Insurance Information Institute and the American Insurance Assn.

Mr. Maatman, the former ISO chairman, called for creation of a new forum, organized through a "disinterested private sector institution," for discussing insurance issues.

"Someone like the Brookings Institution, the Urban Institute or one of our great universities could do the job," Mr. Maatman said. "The idea would be to bring our industry leaders together with leg-

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Council of Lloyd's ignores protests

Market barriers to be dismantled

By STACY SHAPIRO

LONDON—The Council of Lloyd's of London will proceed with plans to dismantle Lloyd's traditional four-market structure as early as next year, despite strong opposition from underwriters and some members.

The council last month announced it would allow syndicates to write any type of business—marine, non-marine, aviation and motor—as early as January 1991 to help improve Lloyd's competitive position.

However, Lloyd's underwriters in the past month have presented three petitions opposing the action to Chairman Murray Lawrence (*BI*, Jan. 8; Dec. 11, 1989).

Among the petitioners' chief concerns were that removing the market barriers too quickly could harm Lloyd's, could create confusion among members as to what kind of syndicate they were joining and could trigger too much competition among syndicates.

Underwriters also said they feel that they are being railroaded into the change, rather than being consulted as they have been prior to previous major market changes.

Mr. Lawrence last week briefed the council about the petitions and related discussions he held recently with market association representatives.

However, the council decided to proceed with its plan to dismantle the four-market structure, though the move "won't be before 1991," Lloyd's Chief Executive Alan Lord said last week. "It is going to go ahead (although it) won't be a Big Bang at Lloyd's," he said, referring to the name given to the deregulation of the U.K. securities industry.

Lloyd's hopes that removing market barriers will allow syndicates to compete more effectively with insurance companies in offering complex insurance packages that may include marine, non-marine, aviation and auto risks, Mr. Lord confirmed.

Under the new system, syndicates can still be "specialist" syndicates if they desire, he added. Specialist syndicates would write only a specific class of business, while "composite" syndicates would write more than one class.

In addition, Lloyd's will attempt to develop a risk classification system in three months, rather than in the 2½ years originally projected, in response to petitioners' concerns that lack of such a system would create market instability if market barriers are eliminated, Mr. Lord said.

Lloyd's Deputy Chairman Alan Jackson also has invited the individual Lloyd's market association chairmen to join a subcommittee that will discuss other transitional problems.

Despite these moves, some Lloyd's members still are disappointed with the council's decision.

For example, Charles Sturge, who publishes the Lloyd's League Tables with fellow member John Rew and syndicate analyst Chatset Ltd., said last week that he is "disturbed" by the decision to eliminate market barriers.

"I have never seen the marine market make money on anything but marine business," Mr. Sturge said. "They should leave things as they are or tighten up" the types of risks each market can write.

Members also will have difficulty selecting a syndicate to join if they don't know what type of risks they are underwriting, Mr. Sturge added.

"When (underwriters) get into something they don't know, they get taken to the cleaners," Mr. Rew said.

Meanwhile, the decision to remove market barriers comes at a time when Lloyd's membership is declining and its profits are expected to fall.

Last week, Mr. Lord confirmed that Lloyd's 1990 membership has dropped a record 9% to 28,386 names from 31,329 last year. It is the second consecutive annual membership decline; 1,750 members resigned at the end of 1988 for the 1989 underwriting year.

But because 5,400 existing members have increased their underwriting capacity this year, Lloyd's overall capacity has only dropped 2% to 10.8 billion pounds ($16.5 billion) from 11 billion pounds ($19.9 billion) last year, he said.

"We are really quite content with what we've got," he said. "We find (the 2% drop) quite reassuring."

Lloyd's 1987 profits also will drop 35% to 420 million pounds when the market announces its 1987 global results in August under its three-year accounting system, according to Mr. Sturge and Chatset's Lloyd's League Tables January 1990 supplement.

The banner profits of 649.5 million pounds ($1.18 billion at the applicable exchange rate) reported last year for the 1986 accounting year will not be matched, particularly because of additional reserving for prior year losses from asbestos, pollution and other U.S. liability claims, Mr. Sturge said.

Lloyd's syndicates will produce as little as 240 million pounds in 1988 profits, Chatset predicts, as a result of the $1.4 billion Piper Alpha North Sea platform explosion and other losses. But that's only a rough estimate since the 1988 account won't close for another year, Mr. Sturge explained.

It is too early judge 1989 results in light of the estimated $4 billion to $6 billion in losses from Hurricane Hugo, of which the London market will pay the bulk; the $1 billion California earthquake, which is not likely to hit the market as hard; and the $1.2 billion Phillips Petroleum Co. refinery explosion, he added.

Despite the large losses, Lloyd's is still a viable investment for members, Mr. Sturge stressed.

"Catastrophes are something you can live with. History shows that syndicates will recover from the reinsurance losses within four or five years from catastrophes," he said. In fact, after a catastrophe "is a good time to double your writing on excess-of-loss syndicates.

"The biggest problems are claims like asbestos, pollution and other related liabilities. That's what's crucifying the market," he said.

About 45% of Lloyd's members belong to the underwriting years that have been left open to pay those types of losses. ■

Opinions

A dose of statesmanship

SEVERAL WORTHY PROPOSALS for tackling important legal, social and economic problems involving the insurance industry are on the table, but one offered last week holds the most potential for quick results.

Gerald L. Maatman, president of Long Grove, Ill.-based Kemper Group's national insurance companies, last week called for creation of a new forum, organized through a "disinterested private-sector institution," for discussing insurance-related issues (see story, page 3).

He mentioned the Brookings Institution, the Urban Institute or "one of our great universities" as possible candidates for organizing such a forum.

As Mr. Maatman said, "The idea would be to bring our industry leaders together with legislators, regulators, the legal profession, public advocates, academics, medical care providers, the business community and others." The group would define problems and work on building consensus solutions that could be implemented in the private sector, given the appropriate legislation.

Among the issues Mr. Maatman highlighted for immediate attention are the high cost of auto insurance, workers compensation and health care and the controversy over who should pay for pollution damage.

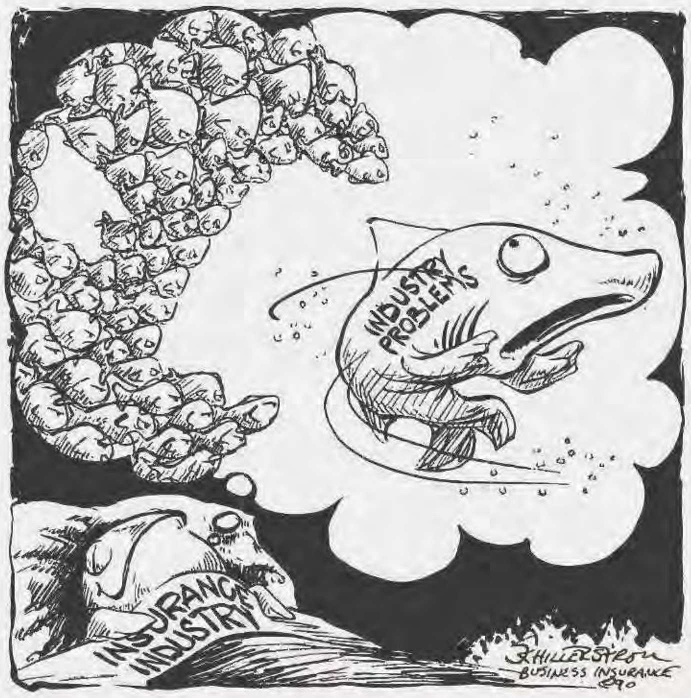
Mr. Maatman noted that Johnson & Higgins President David Olsen most recently has proposed that a presidential commission study insurance industry problems (*BI*, Jan. 30, 1989). Special blue-ribbon commissions have been suggested by others, including 1985 Risk & Insurance Management Society President P. Richard Hackenburg and Sedgwick James Ltd. Chairman Richard Page.

"It's quite difficult to generate White House interest in a single industry's problems," Mr. Maatman observed, suggesting that a private-sector group might be better suited to the task.

We agree. The problems will only grow in magnitude and number while waiting for the White House to become interested in how the insurance industry is coping with legal, financial and social problems.

Mr. Maatman envisions the proposed forum encompassing a series of meetings or a two-week-long conference. While the participants in such a forum would have no authority to enact their recommendations, they could be extremely persuasive in advocating any agreed-upon plans of action.

However, before such a forum could be organized, Mr. Maatman says the insurance industry should revive an umbrella organization encompassing property/casualty insurers that are members of the three leading property/casualty insurance trade associations and insurers that are currently unaligned with any of the organizations.



The Property/Casualty Insurance Council, which once served such a function, has been left unstaffed since 1986.

An umbrella organization that allows the chief executive officers of a broad range of insurance companies to debate and reach a consensus on important issues is needed before a multiple-party interest forum could be held, because insurance industry leaders would want some assurance that the industry would be speaking with one voice at such a forum, Mr. Maatman says.

Insurance industry chief executive officers should embrace Mr. Maatman's suggestions and not let his proposals gather dust as have earlier attempts at statesmanship made in sincerity by others. A revival of an umbrella property/casualty insurance industry organization may be the essential ingredient to progress this time. It's up to insurers to form that group—and soon—so that the important discussions can ensue.

Of course, it's impossible to imagine the insurance industry speaking with one voice on all issues, Mr. Maatman says. But certainly some broad agreements could be reached to permit industry leaders to meet with others to begin developing solutions to the important problems at hand.

As Mr. Maatman says, lacking such a forum, "all we are doing is standing on opposite curbs firing broadside at each other."

Mr. Maatman has a good business reason for making these proposals: Without compromises by insurers to solve problems facing the insurance industry and its customers, insurers risk losing a measure of their freedom in the marketplace.

Letters

GAO in no way weakens case for tort reform

To the editor: The precisely documented General Accounting Office report covering product liability court awards in five selected states (*BI*, Dec. 4, 1989) offers little in the way of new evidence that would eliminate the need for tort reform at the federal level.

The GAO study contains no input from other agencies, offers no recommendations and admits that the findings cannot be related to the volume of claims that are resolved prior to verdicts (approximately 97% of all filed product liability cases).

One must question the value of such a limited sample, which begs the entire issue of the ills of the present civil justice system. But it is the system that is wrong and governmental agencies ultimately must quell their lust for empirical data. We need, instead, to enact laws that reinstate more sane methods for determining liability.

Had the GAO studied product liability claim files over a cross-section of American business, it would almost certainly have arrived at several inescapable conclusions.

First, that many claims settlements for primary damages are being coerced because of the existence of the threat of punitive awards. It would also reveal that other settlements are judge-mandated in order to clear calendars or, in cases of mass tort litigation (i.e., hotel fires), are forced by the judiciary whose sole purpose appears to extract social change from deep pockets.

Finally, such an analysis would have documented that the largest volume of settlements are accomplished without regard to fault, simply because early resolutions may avoid high legal costs.

It is time that American industry and insurers jointly utilize their considerable resources to finally make the American public aware that the current system is indeed a lottery that aids only two causes: trial lawyers and our foreign competition.

Norman B. Chanzis
Director of Risk Management
American Standard Inc.
New York

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Informational literature available to readers

Automation for agents & brokers

• Leader Systems offers a flier detailing the features of Leader Systems/Menu Generator, an **automated insurance agency management program**. Write 101 on the reader service coupon.

• A brochure available from Agency Management Services Inc. describes its Scout software, an **automated insurance agency system.** Write 102 on the reader service coupon.

• Dorex Data Services Inc. offers a brochure detailing its Managing General Agents Software Package, a group of **automated programs designed for managing general agents and underwriting managers.** Write 103 on the reader service coupon.

• A selection of fact sheets available from Leader Systems details Leader Systems/MVP, an **automated insurance agency management system designed for multiple users**. Write 104 on the reader service coupon.

• Agency Management Services Inc. offers a kit providing agents with detailed information on its PathFinder software, an **automated insurance agency management system.** Write 105 on the reader service coupon.

• A brochure available from Leader Systems gives an overview of the company's MVP System, a **policy-based insurance agency management system**. Write 106 on the reader service coupon.

• **Educational programs** available through IGS Educational Software are explained in a flier from Agency Management Services Inc. Write 107 on the reader service coupon.

• Financial Data Planning Corp. offers a software directory describing the company's **products designed to assist insurance, financial planning and employee benefit professionals**. Write 108 on the reader service coupon.

• A flier describing Leader Systems/Forms Generator, a **software program that is designed to produce forms for insurance companies as well as others,** is available from the company. Write 109 on the reader service coupon.

• Professional Software Systems offers a brochure describing PS4, a **software program designed to assist commercial lines agents in producing accurate submissions.** Write 110 on the reader service coupon.

• An overview of screens and reports in MVP, an **insurance agency management system**, is available from Leader Systems. Write 111 on the reader service coupon.

• A brochure provides a general description of **insurance agency software available** from Agency Management Services. Write 112 on the reader service coupon.

• Leader Systems offers a brochure detailing Independent Leader, the company's **automated agency management system** for agents and brokers. Write 113 on the reader service coupon.

• The Insurance Institute of America describes its three-course **Associate in Automation Management designation program**, designed specifically for insurance professionals who use computerized information in their work. Write 114 on the reader service coupon.

Automation for insurers

• Insurance Data Processing Inc. offers a folder containing information on its Vision **automated treaty reinsurance management system**. Write 201 on the reader service coupon.

• A booklet available from Insurance Software & Systems Inc. describes the company's **automated property/casualty ceded reinsurance administration system** for primary insurers. Write 202 on the reader service coupon.

• Inte*Link, an automated system designed to enable insurers to **collect claims data in any format** and interface it directly into their existing claim data base, is detailed in a flier. Write 203 on the reader service coupon.

• A flier available from PALLM Property & Casualty Inc. describes

Continued on next page

Guide to section

The annual special Info 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 you want 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*, P.O. Box 1649, Riverton, N.J. 08077-7249.

All requests for free Info material must be received before March 16 in order to be processed.

Continued from previous page
its **software products and services for insurers**. Also included is information on the company's guarantee policy. Write 204 on the reader service coupon.

• The features of Vision Shared, an **automated premium and loss processing system** available from Insurance Data Processing Inc., are highlighted in a folder available from the company. Write 205 on the reader service coupon.

• Corbel & Co. offers a booklet detailing its automated Generation of Legal Documents (GOLD) system. The system is designed to **produce group health document packages**, including certificates, policies and contracts. It is written in question-and-answer format. Write 206 on the reader service coupon.

• A folder available from PALLM Property & Casualty Inc. describes its IBM AS/400 System Solution, designed to **integrate policy rating, claims administration, reinsurance, accounting, billing and bureau reporting**. Write 207 on the reader service coupon.

• Advanced Systems Applications offers a brochure describing ASA/MOS Multiple Option Solution, an automated system designed to **consolidate administration of HMO, PPO, indemnity, triple option and open-ended plans**. Write 208 on the reader service coupon.

• A flier available from Computations Inc. describes Computations Life Office Administration System (CLOAS), a **software system designed for life insurance companies**. Write 209 on the reader service coupon.

• An overview of **software products for insurance companies** is available from Insurance Data Processing Inc. is provided in "Vision Unlimited," a packet offered by the company. Write 210 on the reader service coupon.

• Group Marketing System, software designed to **rate and print proposals** for any combination of life, medical, short- and long-term disability, accidental death and dismemberment, dental and vision insurance policies is detailed in a booklet available from Continental Software Inc. Write 211 on the reader service coupon.

• A brochure available from PALLM Property & Casualty Inc. describes PallmPAC, standalone **systems designed for use in claims management, policy administration and reinsurance administration**. Write 212 on the reader service coupon.

• Pentabs details The Professional Proposal System, an **automated system designed to generate proposals or feasibility studies** for all types of retirement plans based on clients' needs, in a booklet. Write 213 on the reader service coupon.

• Vision Reinsurance is an **automated facultative reinsurance system** designed to provide management, underwriting, claims, accounting and statistical information to insurers. A booklet detailing its features is available from Insurance Data Processing Inc. Write 214 on the reader service coupon.

• A booklet available from Insurance Software & Systems Inc. contains information on SICS and SICS-PC, **automated administration systems** for assumed property/casualty reinsurance. Write 215 on the reader service coupon.

• ADMIN, a software system designed to **perform billing and administration for group health and life insurance policies**, is described in a brochure available from Advanced Systems Applications. Write 216 on the reader service coupon.

• A brochure and demonstration diskette available from Benefit Plan Systems Corp. detail the company's COBRA EAS Administrator. The **automated system is designed for insurance companies and third-party claims administrators** for use in administering health care claims under COBRA. Write 217 on the reader service coupon.

• A folder available from Insurance Data Processing Inc. contains information on Vision Horizon, an **automated system designed to process and administer property/casualty insurance policies**. Write 218 on the reader service coupon.

• Medata Inc. offers a folder describing Medata Micro Billing Review, an **automated system designed to implement and monitor cost-containment measures** in workers compensation, liability and health insurance. Write 219 on the reader service coupon.

• The use of personal computer work stations for **distribution of insurance-related data processing tasks** is discussed in a folder that is available from PALLM Property & Casualty Inc. Write 220 on the reader service coupon.

• NRM Computer Systems Inc. offers information on NRM Liability/Auto/Property System in a booklet. In addition to **claims administration**, the system is designed to scan documents and pictures into the computer where they become part of the computer claim file. Write 221 on the reader service coupon.

• An automated system designed to **manage investment portfolios of insurance companies** is described in a folder available from Insurance Data Processing Inc. Write 222 on the reader service coupon.

• The Insurance Institute of America describes its **Associate in Automation Management** designation program, designed for insurance professionals who use computerized information in their work. Write 223 on the reader service coupon.

Captives

• The government of the Cayman Islands offers a guide to **insurance laws as they affect offshore companies in that country**. For a copy, write 301 on the reader service coupon.

• An overview of **forms and**
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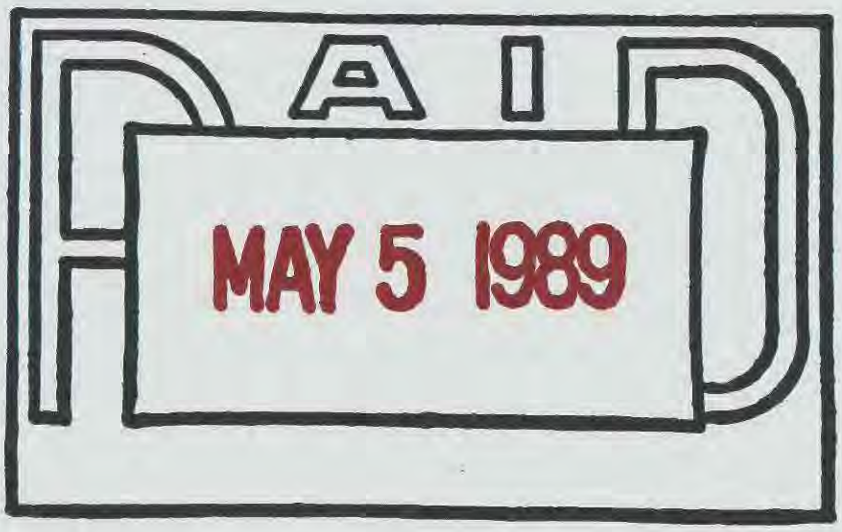

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procedures used to form a captive insurance company in Vermont is offered by Northern States Management Inc. Write 302 on the reader service coupon.

• Commonwealth Risk Services Inc. offers a pamphlet about **products and services available to captives** domiciled in Bermuda, Barbados and the Cayman Islands. Write 303 on the reader service coupon.

• Hopkins & Sutter offers a description of 1989 amendments to the **Illinois captive and risk retention statute** and possible advantages of Illinois as a domicile. Write 304 on the reader service coupon.

• The Bahamas Assn. for International Insurance offers a brochure containing a summary of procedures and requirements for **captive domicile in the Bahamas**. Write 305 on the reader service coupon.

• A booklet available from Brown Brothers Harriman & Co. reviews the company's approach to **offshore captive insurance company investment management**. Write 306 on the reader service coupon.

• "Captives in the Nineties," a booklet available from William R. Storie & Co. Ltd., provides an overview of the **insurance and reinsurance industries in Bermuda**. Write 307 on the reader service coupon.

Commercial property/ casualty insurance

• Information on the **products and services available from the claims department** of Zurich-American Insurance Group is available in a booklet. Write 401 on the reader service coupon.

• "General Insurance Terms & Concepts," a booklet available from Rollins Burdick Hunter, provides definitions of basic **features of property and liability insurance policies**. Write 402 on the reader service coupon.

• The products and services available from Floyd West & Co., the **petroleum property underwriting** unit of Crum & Forster, are detailed in a brochure. Write 403 on the reader service coupon.

• "Focusing on Your Standard Lines Business," a brochure available from Zurich-American Insurance Group, contains information on the company's **products and services for customers with accounts of less than $500,000**. Write 404 on the reader service coupon.

• An analysis of the **excess/surplus lines insurance market and the role of the Illinois Insurance Exchange** in that market are discussed in "How We Compare," a booklet available from the Exchange. Write 405 on the reader service coupon.

• TCO Insurance Services offers a copy of "The Cornerstone," a bimonthly publication for **design professionals and their risk managers**, contains advice on loss prevention and recent trends in tort law. Write 406 on the reader service coupon.

• A booklet available from Argonaut Insurance Co. discusses **various types of insurance programs and how to determine which program will most closely fit a company's needs.** Write 407 on the reader service coupon.

• Zurich-American Insurance Group offers a brochure detailing its special risk division, which provides **products and services for large domestic accounts.** Write 408 on the reader service coupon.

• A description of property and casualty **insurance coverages designed specifically for financial institutions** by Scarborough & Co. is available in a brochure. Write 409 on the reader service coupon.

• A brochure available from Zurich-American Insurance Group outlines the company's **claims management programs designed to control costs for large accounts.** Write 410 on the reader service coupon.

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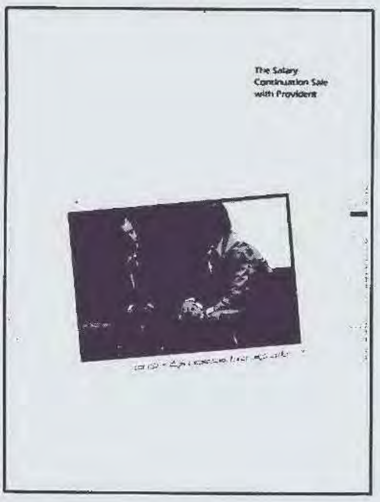
Employee benefits

• Miller Mason & Dickenson is offering a reprint of its newsletter, "FOCUS," which contains a discussion of the **ramifications of the Tax Reform Act of 1986** on retirement plans. Write 501 on the reader service coupon.



• A brochure available from Provident Life & Accident Insurance Co. describes the sale of **salary continuation plans**. Write 502 on the reader service coupon.

• Coopers & Lybrand offers the Social Security Benefits Wheel, a moveable wheel that gives **estimates of Social Security benefits based on users' current salary and retirement ages of 62 and 65.** Write 503 on the reader service coupon.

• Sample issues of two publications from EQUICOR reporting on **federal legislation, court decisions and trends of interest to employee benefit managers** are available from the company. Write 504 on the reader service coupon.

• Reprints of a paper discussing **how reasonable and customary limits are developed** for health care claims and cautions regarding their use are available from Health Economics Corp. Write 505 on the reader service coupon.

• A series of informational sheets explaining **instances in which home nursing care may be advisable** are available from Medical Personnel Pool. Quality assurance standards are also available from the company. Write 506 on the reader service coupon.

• In anticipation of new rules from the Financial Accounting Standards Board, a booklet available from William M. Mercer Meidinger Hansen Inc. explains **approaches to plan design that may help reduce retiree medical benefits liabilities**. Write 507 on the reader service coupon.

• John Hancock Mutual Life Insurance Co. offers a **guide to AIDS education** that includes a directory of AIDS—related programs, publications, organizations and videotapes. Write 508 on the reader service coupon.

• United States Life Insurance Co. offers a brochure for agents and brokers detailing the company's **cost-sharing, small-group health insurance plan**. Write 509 on the reader service coupon.

• A brochure describing Charles D. Spencer & Associates Inc.'s weekly report on **employee benefits issues** is available from the company. Write 510 on the reader service coupon.

• A semi-annual publication offered by the International Foundation of Employee Benefit Plans reports on results of a **nationwide survey on managed health care.** Members of the International Society of Certified Employee Benefit Specialists were surveyed. Write 511 on the reader service coupon.

• Partners National Health Plans offers a pamphlet describing its **managed health care services**. Write 512 on the reader service coupon.

• A videotape available from Employee Communications & Insurance Services Inc. describes the company's **employee benefit communications program**, including benefit statements and private benefits counseling for employees. Write 513 on the reader service coupon.

• Crawford & Co. offers a brochure explaining the company's approach to **hospital bill audits**, a combination of a computer-assisted system and on-site reviews by registered nurses. Write 514 on the reader service coupon.

• "Quality Home Health Care Made Simpler," a booklet describing **home health care as an alternative to extended hospitalization**, is available from Upjohn HealthCare Services. Write 515 on the reader service coupon.

• Employers Preferred Insurance Choice, a **health insurance plan** offered by Third Party Ad-

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ministrators Inc., is detailed in a brochure available from the company. Write 516 on the reader service coupon.

• Miller Mason & Dickenson is offering reprints of the May 1989 issue of "FOCUS," which contains a summary of the **qualification requirements of Section 89 of the Internal Revenue Code for employee benefit plans**. Write 517 on the reader service coupon.

• "Your Personal Report of Employee Benefits" details for employees the **amount of employers' benefit expenditures per month per employee**. Samples are available from The Benefit Statement Co. Write 518 on the reader service coupon.

CEBS

• The 1989-1990 **CEBS Catalog of Information**, containing forms and information for enrolling in the Certified Employee Benefit Specialist program, is available from the International Foundation of Employee Benefit Plans. Write 519 on the reader service coupon.

• American Specialty Underwriters offers reprints of an article discussing the **financial risks of long-term disability** for companies and describes funding methods. Write 520 on the reader service coupon.

• A newsletter for benefit consultants and brokers discusses **what producers should look for in a long-term disability insurer** and is available from CIGNA Special Benefits. Write 521 on the reader service coupon.

• Provident Life & Accident Insurance Co. offers a brochure detailing the need for a **sick pay plan**, addressing issues such as salary continuation and tax considerations. Write 522 on the reader service coupon.

• "Section 125 Regulations for Cafeteria Plans & Flexible Spending Arrangements," a booklet available from William M. Mercer Meidinger Hansen, explains recent **Internal Revenue Code 125** regulations. Write 523 on the reader service coupon.

• A brochure discussing Crawford & Cos.' **services designed to control health benefit costs**, including utilization review and mental health and substance abuse programs, is available from the company. Write 524 on the reader service coupon.

• Charles D. Spencer & Associates Inc. offers a brochure detailing its Compliance Guide, a monthly looseleaf service covering **federal laws and regulations affecting benefit plans**. Write 525 on the reader service coupon.

• A leaflet available from the International Foundation of Employee Benefit Plans examines the results of a survey of respondents polled on **employer-sponsored long-term care insurance issues**. Write 526 on the reader service coupon.

• Medical Personnel Pool offers a directory of its 285 offices for **home health care** services. Write 527 on the reader service coupon.

• A checklist available from Employee Assistance Service Inc. is designed to help businesses or brokers select **employee assistance or substance abuse programs**. Write 528 on the reader service coupon.

• "A Comprehensive Utilization Review Package," a leaflet available from National Health Services Inc., details the company's CareReview **utilization review service**. Write 529 on the reader service coupon.

• The American Dental Assn. offers a pamphlet intended to assist employees and employers in choosing **dental plans** that best fit their needs. Write 530 on the reader service coupon.

• A booklet available from William M. Mercer Meidinger Hansen explains **410(b) regulations of the Internal Revenue Code** affecting minimum-coverage requirements for tax-qualified retirement plans. Write 531 on the reader service coupon.

• Crawford & Co. offers a brochure detailing its **medical case management program** designed to reduce health benefit costs. Write 532 on the reader service coupon.

• Partners National Health Plans is offering a flier that provides information on the **managed care network's** national accounts program. Write 533 on the reader service coupon.

• Rulings of the Financial Accounting Standards Board that affect future **liability for retiree health and welfare benefits** is explored in Miller Mason & Dickenson's May 1989 issue of FOCUS. Write 534 on the reader service coupon.

• Charles D. Spencer & Associates Inc. offers a brochure explaining its monthly service providing information on **retirement and profit-sharing plans for companies with fewer than 100 employees**. Write 535 on the reader service coupon.

• A leaflet describing cost-sharing **group health insurance plans** available from The United States Life Insurance Co. is provided by the company. Write 536 on the reader service coupon.

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• "New Directions Newsletter,' a quarterly publication containing information on **medical case management**, is published by Medical Personnel Pool. Write 537 on the reader service coupon.

• "Retiree Health Benefits—The Proposed FASB Rule & Other Issues," a booklet offered by EQUICOR, reviews the highlights of **new rules proposed by the Financial Accounting Standards Board.** The booklet offers an action plan for assessing retiree liabilities and discusses the implications for plan design. Write 538 on the reader service coupon.

• An issue of "Benefits Briefing," a newsletter published by Coopers & Lybrand, contains **information of interest to benefit managers**. Write 539 on the reader service coupon.

• EOI Service Co., a service organization providing design, insurer negotiation, communication, enrollment and service of **employer-sponsored benefit programs**, details its services in a brochure. Write 540 on the reader service coupon.

• CEBCOR's "Guide to Employee Leasing" discusses the company's employee leasing programs, which are designed to provide off-site **personnel, payroll and pension administration services**. Write 541 on the reader service coupon.

• An issue of "Focus on Executive Benefits," published by Miller, Mason & Dickenson, contains articles on **integration rules, secular trusts, and joint and survivor life insurance policies**. Write 542 on the reader service coupon.

• The International Foundation of Employee Benefit Plans offers a brochure detailing their **summer internship program for college sophomores** and its possible advantages for employers and students. Write 543 on the reader service coupon.

• A brochure covering policy terms for **disability insurance coverage** as well as tips to determine the necessary dollar figures should a disability occur is available from Provident Life & Accident Insurance Co. Write 544 on the reader service coupon.

• A folder describing Health Preferred of Mid-America, a preferred provider organization marketed by Third Party Administrators, is available from the company. Write 545 on the reader service coupon.

• EQUICOR Inc. offers a brochure informing expectant mothers of the benefits of a **prenatal risk management program**, the importance of visiting a physician in early pregnancy and the positive effects of healthy lifestyles. Write 546 on the reader service coupon.

• A pamphlet from Upjohn HealthCare Services discusses **home health care** as a cost-effective, convenient alternative to lengthy hospital stays. The company's programs also are described. Write 547 on the reader service coupon.

• Employee Communications & Insurance Services Inc. offers a flier describing **videotape programs** for use at benefit meetings for employees and for employees to show their families. Write 548 on the reader service coupon.

• A catalog offered by International Foundation of Employee Benefit Plans contains information and forms to enroll in the **Certified Employee Benefit Specialist** program. Write 549 on the reader service coupon.

• Charles D. Spencer & Associates Inc. offers a brochure describing its **benefits booklets service.** Guides to 401(k) plans, integrated pension plans and COBRA are imprinted with the company's name. Wrie 550 on the reader service coupon.

• John Hancock Mutual Life Insurance Co. offers a 17-page booklet dealing with **escalating health care costs**, how the health care system works, how employers can encourage healthy lifestyles, how a conscientiously managed program can save money and how the health care system may look in the future. Write 551 on the reader service coupon.

• The results of "Substance Abuse in the Workforce: A Survey of Employers Conducted for Marsh & McLennan Cos. Inc." are available in a William M. Mercer Meidinger Hansen Inc. booklet. It describes the **impact of substance abuse on the workplace**, its expense to employers and how employers are responding. Write 552 on the reader service coupon.

• A Coopers & Lybrand booklet explains how employees can measure their **retiree health care benefit liability** to their advantage. It suggests implementing a broad business approach to analyzing the effects of the proposed Financial Accounting Standards Board rule and possible changes in plan design, administration, funding and other appropriate areas. Write 553 on the reader service coupon.

• A paper discussing an approach to **forecasting retiree health care costs** is available from Health Economics Corp. Write 554 on the reader service coupon.

• A general overview of how to

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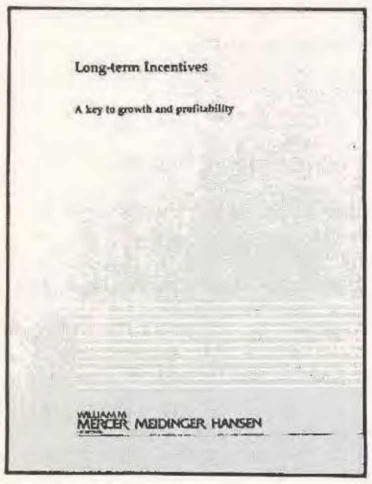
buy **disability insurance** and a fill-in-the-blank chart to help determine the dollar figure needed should a disability occur are included in a brochure from Provident Life & Accident Insurance Co. Write 555 on the reader service coupon.

• Hyatt Legal Services offers a description of its current **group legal plans for corporate benefit programs**. Write 556 on the reader service coupon.

• A report outlining how the **Canada-U.S. Free Trade Agreement** affects employee benefit and compensation programs for U.S. and Canadian companies is available from Hewitt Associates. Write 557 on the reader service coupon.

• The United States Life Insurance Co.'s **cost-sharing small-group health insurance plan** is described in a brochure available from the company. Write 558 on the reader service coupon.



• A booklet explaining the theory and technical requirements, including tax and accounting treatment and approval and disclosure requirements, for each type of **long-term executive incentive plan** is available from William M. Mercer Meidinger Hansen Inc. Write 559 on the reader service coupon.

• Two case studies illustrating the effectiveness of **home health care** for individuals, case management firms and insurance companies are available in a flier from Upjohn HealthCare Services. Write 560 on the reader service coupon.

• Third Party Administrators Inc. offers a brochure detailing possible advantages to **self-insuring corporate employee benefit programs**. Specific information on the company is included. Write 561 on the reader service coupon.

• A discussion of the high cost of **employee substance abuse** for companies and a 12-step plan for combatting the problem before it starts are included in the August 1989 issue of FOCUS, available from Miller Mason & Dickenson. Write 562 on the reader service coupon.

• Charles D. Spencer & Associates Inc. offers a brochure on their **personalized newsletters** covering group life, health care, executive compensation benefits and retirement plans. Write 563 on the reader service coupon.

• Keeping Tabs, a quarterly free publication from Pentabs, covers **pension issues**, including book and automation system reviews, training calendars and other pension calendars. Write 564 on the reader service coupon.

• MedicalControl offers a brochure discussing measures to **reduce health care costs**. It also explains their approach to freezing hospital rates and supplying substantial discounts for corporate self-insured clients. Write 565 on the reader service coupon.

• J.P. Kennedy Publishing Co. offers a brochure describing its three-volume claims handbook, which is designed to help the user **speed up claims handling**. Write 566 on the reader service coupon.

• **Internal funding of catastrophic claims** for completely self-insured companies with multiple operating units is discussed in a flier from Health Economics Corp. Write 567 on the reader service coupon.

• Health & You, a quarterly publication with articles about **lifestyle-related medical problems**, can be personalized by employers with information about their benefit plans. A sample issue is available from Health Ink Publishing Group. Write 568 on the reader service coupon.

• A flier on Benesys' **Managed Mental Health Services** is available from the company. Write 569 on the reader service coupon.

• Coopers & Lybrand offers reprints of an article discussing how an **audit of a company's health benefit plan administrator** can highlight correctable procedures for more efficient administration. Planning and completing the audit and the audit approach are also covered. Write 570 on the reader service coupon.

• "Considerations on Contributions to HMOs," a flier from Health Economics Corp. offers an approach for **adjusting contributions to health maintenance organizations** in consideration of the difference in age/sex distributions between the population covered by the HMO and the population covered by a self-funded indemnity plan. Write 571 on the reader service coupon.

• Exec-U-Care offers a brochure describing how a **medical reimbursement plan** can help recruit, reward and retain top employees. Write 572 on the reader service coupon.

• A Scarborough & Co. brochure details a fully insured **trust program for financial institutions**. Write 573 on the reader service coupon.

• A Vision Service Plan brochure describes its **vision care benefit** for employees and dependents. Write 574 on the reader service coupon.

• **"When Your Child Needs**

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Psychiatric Hospitalization," a booklet from the National Assn. of Private Psychiatric Hospitals, provides a checklist of what parents need to know about inpatient psychiatric care for children and adolescents. Write 575 on the reader service coupon.

• Health Economics Corp. offers a pamphlet on **options in health care benefit design**. Write 576 on the reader service coupon.

• A brochure from Northwestern National Life Insurance Co. contains information on designing **flexible benefits for small and medium-sized companies**. The evolution of flexible benefit programs and their advantages for employers and employees are also discussed. Write 577 on the reader service coupon.

• An International Foundation of Employee Benefit Plans pamphlet is intended to serve as a **reference for the Employee Benefit InfoSource data base.** Included are a list of journals in the data base, details about the document delivery service and other general information. Write 578 on the reader service coupon.

• A kit available from INSURx describes the company's fully managed **drug benefit delivery system**. Write 579 on the reader service coupon.

• **Synopses of some recent books, research reports and reference materials on employee benefits** are available in a catalogue from the International Foundation of Employee Benefit Plans. Write 580 on the reader service coupon.

• An article in Focus on Executive Benefits, published by Miller, Mason & Dickenson, discusses how new **integration rules restrict defined benefit pension plans** for executives and examines ways to counteract these restrictions. Write 581 on the reader service coupon.

• Parkside Wellness Programs, designed to provide employees with information on **successfully making healthy lifestyle changes,** are described in a packet from Parkside Health Management Corp. Write 582 on the reader service coupon.

• The StayWell/EAR Program is designed to **control health care and workers compensation costs** through a 12-month program involving employees and management. The program includes health action campaigns, employee health surveys, handbooks and health promotion courses and is detailed in a brochure available from Darrell Heppner Risk Management Services Inc. Write 583 on the reader service coupon.

Employee benefit information systems

• Employee Communications & Insurance Services Inc. offers a diskette demonstrating the company's software designed to explain **flexible benefits** to employees and to allow employees to enroll themselves in such a plan. Write 601 on the reader service coupon.

• Pentabs offers an **automated accounting system** designed to track retirement plan trust account activity and provide investment summaries. Write 602 on the reader service coupon.

• A series of pamphlets is available from Genesys Software Systems Inc. detailing its **automated systems for payroll, flexible benefits, defined contribution, defined benefits and human resource planning**. Write 603 on the reader service coupon.

• A packet available from Travis Software Corp. includes information on the company's Corporate COBRA Manager, Travis Flex, Retiree Premium Billing Manager and Travis/Human Resource **employee benefit automation systems.** Write 604 on the reader service coupon.

• InSci offers a booklet describing its automated employee benefit product, a **human resource management system including benefits and pension administration.** Write 605 on the reader service coupon.

• A flier describing Pentabs' **Government Forms System for qualified retirement plans** is available from the company. Write 606 on the reader service coupon.

• A brochure on Coopers & Lybrand's Information Line, a **computerized voice-response system designed to help employers communicate employee benefits** and other information, is available from Coopers & Lybrand. Write 607 on the reader service coupon.

• A flier available from Insurance Software Packages Inc. contains information on COBRA EAS, a software package designed to **administer claims under COBRA**. Write 608 on the reader service coupon.

• WLT Software of Florida Inc. offers a booklet outlining its **FLEXCLAIMS Flexible Benefits Administration Software System.** Write 609 on the reader service coupon.

• A monthly Employee Benefit

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Software Directory describing available **employee benefit software programs** is published by Charles D. Spencer & Associates Inc. Write 610 on the reader service coupon.

• Libra Information Networks offers a booklet describing the benefits of **electronic claims transmission and data collection** for group health care plans. Write 611 on the reader service coupon.

• A disk and flier available from Benefit Plan Systems Corp. details the company's COBRA EAS software, designed for use in **administering claims under COBRA**. Write 612 on the reader service coupon.

• Insurance Software Packages Inc. offers a pamphlet describing its **health benefits management system,** which administers employee health benefits for self-insurers, insurance companies and third-party claims administrators. Write 613 on the reader service coupon.

• A booklet available from WLT Software of Florida Inc. offers information on the company's MEDICLAIMS **health claims administration system** and other products and services available from the company. Write 614 on the reader service coupon.

• Benefactor, an employee benefits information system designed to administer **defined contribution plans and defined benefit plans and perform automated enrollment, non-discrimination testing** and additional functions, is featured in a folder available from Coopers & Lybrand. Write 615 on the reader service coupon.

• InSci offers an overview of its professional services in the human resource industry, including the **administration of flexible benefit plans.** Write 616 on the reader service coupon.

• A flier describing Pentabs' Age 70½ Distribution System, an automated system that calculates **minimum required distributions** of retirement benefits, is available from the company. Write 617 on the reader service coupon.

• FLX Corp. has published a guide that is designed to help benefit plan administrators and plan sponsors choose an appropriate **flexible benefit administration system.** Write 618 on the reader service coupon.

• An **Employee Benefits Software Directory** describing products designed to help employee benefit, insurance and financial planning professionals is available from Financial Data Planning Corp. Write 619 on the reader service coupon.

• WLT Software of Florida Inc. offers a booklet describing its software designed to help **administer claims under COBRA**. Write 620 on the reader service coupon.

• A booklet offering an overview of SW Systems Inc.'s **automated benefit administration system** is available from the company. Write 621 on the reader service coupon.

• Citibank's Fiduciary & Information Services Division offers a package explaining its **record keeping and trustee services for corporate benefit plans**. Write 622 on the reader service coupon.

• A pamphlet describing the company's **retirement plan administration system** is available from Pentabs. Write 623 on the reader service coupon.

• InSci offers a booklet with an overview of its system capabilities and **professional services in employee benefits** and other areas. Write 624 on the reader service coupon.

• SBPA Systems Inc. has published a brochure describing its **group benefit administration system**. Write 625 on the reader service coupon.

• EBG & Associates Inc. offers a pamphlet describing the features of "Coach," a software program designed to simplify **compliance with rules for pension plans and Social Security integration**. Write 626 on the reader service coupon.

• A flier describing FLEXTRAK, a **flexible benefits administration system** designed to help contain costs, is available from Computations Inc. Write 627 on the reader service coupon.

• The StayWell Program, a health promotion program offered by StayWell Health Management Systems Inc., is described in a brochure available from the company. The program includes a **computerized health assessment** designed to focus on employees' modifiable health habits. Write 628 on

Fidelity & surety

• **Fidelity bond insurance available for financial institutions** from Scarborough & Co. is discussed in a flier available from the company. Write 701 on the reader service coupon.

• A brochure available from Rollins Financial Services highlights **insurance products available to financial institutions**. Write 702 on the reader service coupon.

• Midwest Indemnity Corp. offers a packet outlining its **products and services related to surety lines**. Also included are forms needed for submission of surety bond applications. Write 703 on the reader service coupon.

Financial services

• Features of **structured settlements** and services offered by Kenneth H. Wells & Associates Inc. are contained in a folder from the company. Write 801 on the reader service coupon.

• The Government of the Cayman Islands offers "Professional, Financial, Governmental & Retail Services In the Cayman Islands," a 17-page directory **of interest to those wishing to do business in the Cayman Islands**. Write 802 on the reader service coupon.

• Brown Brothers Harriman & Co. offers a booklet reviewing its approach to **domestic investment management for property and casualty insurers**. Write 803 on the reader service coupon.

• A collection of articles from Galaher Settlements Co. examines the **application of structured settlements to Superfund cases**. Write 804 on the reader service coupon.

• The Insurance Institute of America's four-course **Associate in Insurance Accounting and Finance designation** program, designed for technical accounting, statistical and financial personnel of insurance companies, is described in a flier. Write 805 on the reader service coupon.

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Business Insurance **Info**

NOTE: THIS COUPON WILL NOT BE SERVICED AFTER MARCH 16, 1990

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 Agent 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:
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P.O. Box 1649, Riverton, N.J. 08077-7249

Please print clearly

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

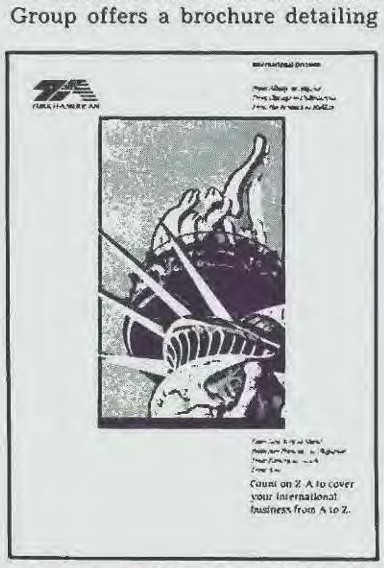
International

• The Insurance Profit Centre, an **alternative risk financing approach** designed to return underwriting profit and investment income from an insurance policy to the policyholder, is described in a booklet from Commonwealth Risk Services Inc. The service is available in most of Europe. Another booklet is geared toward Canadian policyholders or Canadian firms with foreign subsidiaries. For the European booklet, write 901 on the reader service coupon; for the Canadian booklet, write 902.

• A brochure describing IBIS Briefing Service, a monthly update on **regulations, laws and other issues affecting international benefits programs** is available from Charles D. Spencer & Associates Inc. Write 903 on the reader service coupon.

• An updated booklet listing **Canadian offices of claims administrator and auditor** Crawford & Co. is available from the company. Write 904 on the reader service coupon.

• Zurich-American Insurance Group offers a brochure detailing



products and services available through its international division. Write 905 on the reader service coupon.

Loss control/ people

• A two-page flier available from NATLSCO addresses **Sick Building Syndrome**, including information on methods to investigate indoor air quality problems. Write 1001 on the reader service coupon.

• A brochure available from Darrell Heppner Risk Management Services Inc. describes Pro Flex Back Support, Pro Flex Wrist Support, Pro Flex Anti-Vibration Gloves and Pro Flex Tennis Elbow Support, designed to **prevent industrial injuries** and give added support to injured employees during rehabilitation. Write 1002 on the reader service coupon.

• The Human Systems Reliability Survey, designed to **identify work environments having a high probability of accidents** due to employees' attitudes, is available from The Reliability Group. Write 1003 on the reader service coupon.

• A catalog available from the International Loss Control Institute lists **safety and loss control management courses and auditing, consulting and educational services** offered by the company. Write 1004 on the reader service coupon.

• A brochure describing Crawford & Co.'s **risk improvement services** details the company's technical and educational services designed to help create a successful risk control program. Write 1005 on the reader service coupon.

• NATLSCO has published a brochure listing courses it offers on **safety management, industrial hygiene, ergonomics and fire protection engineering**. Write 1006 on the reader service coupon.

• NATLSCO offers a four-page brochure detailing the company's **ergonomics consulting services**, which include methods that may reduce cumulative trauma and repetitive motion injuries through workplace and job modification. Write 1007 on the reader service coupon.

Loss control/ property

• National Fleet Service Inc. offers a flier about Fleet-Wise, its **vehicle physical damage repair program**, which includes appraisal, collision repair, subrogation and auditing services. Write 1101 on the reader service coupon.

• A report from ENSR Operations explores options for **eliminating PCBs from askarel-filled transformers**. Write 1102 on the reader service coupon.

• Crawford & Co. offers "Property General Adjuster Directory," a listing of the company's senior **property damage adjusters**.

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It's called Preferred Care-USA. You'll find it has no shortage of good hospitals. Many are recognized as being among the best in the country. Some are household words.

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So even if you have employees in more than one state, you can give them a freedom of choice approaching that of traditional coverage. At a cost of up to 15 percent less. With every expectation of them receiving good medical care.

In other words, Preferred Care-USA lets you offer employees the kind of PPO they'll actually use. Which is the only kind that can really reduce costs.

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Containing health care costs

By Christina M. Swanson

Costs controls alone aren't doing the job

EMPLOYERS FACE A PARADOX more mind-boggling than ever conceived by playwrights Gilbert & Sullivan. Major health insurers have been losing close to $2 billion annually in the last two years and many health maintenance organizations have been losing millions of dollars, forcing some of them out of business. Yet employers have seen their medical costs skyrocket.

A recent survey indicated that the average health care cost increase last year was 24%. We have seen increases for some employers as high as 70%.

While employers nationwide are instituting managed care programs in an effort to control these hikes, the cost of care and utilization of services are increasing at a significant rate. Among the most popular health care cost containment measures employers use are:

- Managed care.
- Higher employee deductibles.
- Higher employee coinsurance.
- Reduced benefits.
- Switching to a cafeteria plan.
- Increased employee premium contributions.

Any employer that is concerned about rising health care costs has tried some or all of the above, often finding temporary relief in the form of little or no increase for one plan year. But resounding increases in succeeding years shatter the belief that anything could control this profit-gobbling monster.

While employers have been battling these rising costs, the health care industry has been fighting back with weapons that employers are unable to defend. These obstacles are increasing prices, increasing use of medical services and high-tech treatment, increasing fraud and cost shifting.

The problem of increasing prices is characterized by usual, reasonable and customary fees, a euphemism coined by the insurance industry that has masked the real problem of the rising price of medical services. Just try to find out what price is considered "reasonable and customary" for any particular service! It's a closely guarded secret, and it's also a number set by the medical industry.

As doctors and other providers increase their prices, "reasonable and customary" rises right along with with those increases. Reasonable and customary is a will-o'-the-wisp: always out of grasp and, therefore, always out of control.

One component of health care costs—prescription drug prices—is increasing so rapidly that employers might soon be fighting their own "drug wars." Any comparison between today's prescription drug prices and drug prices of 12 or 24 months ago might require a dose of smelling salts for the faint of heart.

The problem of increasing health care utilization is probably one of the most difficult areas to bring under control. A decade ago, a child who fell and bumped his head might require an X-ray in a hospital emergency room. Today, that child could receive a CAT scan or a magnetic resonance imaging scan, with the attendant increase in cost.

But, the argument goes, if it were your child, wouldn't you want him to have the best of care? Of course. But we have reached a point in providing health care services where we must say that more is not necessarily better. For example, while radical surgery may ensure that all cancer is removed from the body, it is a high price to pay if other treatments could ensure eradication of the disease.

We must assist employees to become proactive in determining the type of testing and treatment appropriate for their specific ailments. To allow uncontrolled utilization of all available high tech or optional treatments is to price medical insurance out of the reach of a large segment of our population. This already is occurring as more employers are finding they simply cannot afford to provide any type of health care if they wish to remain competitive in today's global markets.

Increasing health insurance fraud is a frightening and expensive enemy in the battle to contain health care costs. Estimates of the annual cost of health care fraud range from $10 billion to $118 billion! These numbers do not include fraud's impact on the health of the consumer, who may be subjected to unnecessary treatments. While some of the fraud is perpetrated by consumers, a large proportion of it is generated by the medical industry.

The fourth problem employers face—increased cost shifting—occurs when Medicare and Medicaid reimbursements do not pay for the total cost of care provided. Managed care programs control costs within certain limits, but struggle to contain the unreimbursed Medicare costs that providers are shifting to paying customers; i.e., employers' group health care plans.

Controlling health care costs often seems to be either a battle we've grown weary of trying to win or one that has no solution.

However, giving up at this point would have serious ramifications. Costs will continue to escalate to the point that more and more employers cannot continue to provide affordable health care to their employees, dooming them to join the ranks of the working uninsured or underinsured. Or, the federal government will be forced to control the type and cost of medical care provided to our employees.

There are no easy answers to these problems affecting health care costs, and the tactics that must be used require commitment, perseverance and the ability to make hard choices. A concerted strategy to deal with these problems is needed. For example:

- To control prices, employers can set limits on what they are willing and able to pay for health care service.

These limits must be communicated both to employees and to health care providers. We are working with several employers to develop this kind of program. It tells providers that there is not an unlimited bucket of money into which employers will dip to fund unjustified price increases.

- Excess utilization can be limited if employee education and utilization control programs do more than precertify hospital admissions.

Utilization control programs must work with employees to discuss all alternative treatments. This also requires telling both employees and providers that there is a range of treatment for which the plan will not pay if it is considered outside acceptable treatment boundaries for a specific diagnosis.

- Uncovering health care fraud requires increased vigilance on the part of health care consumers, employers and the heath insurance industry.

Consumer education is also needed in this area to help employees spot not only illegal billing, but unnecessary and often dangerous treatments. Where true fraud is uncovered, employers and insurance companies must prosecute providers, not just slap hands. Employers and insurers must also work with provider organizations and utilization review services that can uncover legal, but unscrupulous billing and treatment practices.

- If the first three problems appear formidable and their solutions onerous, the really bad news is that the full extent of the problem caused by Medicare and Medicaid cost-shifting is just beginning to be realized.

Employers and insurance companies have barely defined the problem, let alone formulated a solution. The control of health care costs is reaching a critical point and cost-shifting is a major cause. Because of the players involved—employers, insurance companies, health care providers, federal and state governments—national attention must be focused on the role of cost shifting in pushing health care costs beyond the reach of an increasing number of employers. Federally mandated benefits are not the solution because employers would be subject to cost-shifting regardless of whether they provide health care plans voluntarily or as a result of federal legislation.

There are solutions, but they are not easy ones. However, if we surrender and say the battles can't be fought and the war can't be won, we face unpalatable alternatives. Millions of employees and their families will join the 37 million workers without health care benefits. The federal government, already feeling public pressure, will be compelled to control the disbursement and funding of these benefits. It will no longer be our problem, but we'll still be paying its ever-increasing costs. A most troubling paradox, indeed! ■

Christina M. Swanson is a senior consultant with Siver Insurance Management Consultants in St. Petersburg, Fla.

Unadopted children not entitled to benefits

Legal briefs

Unadopted children living with a worker are not entitled to share in workers compensation death benefits, the Florida appellate court ruled.

In June 1987, Stephen C. Williams was killed while on the job for his employer. At the time of his death, Mr. Williams was estranged from his wife for approximately seven years, but he and his wife were never divorced. Although he provided no support to his estranged wife, he did provide substantial support to his three children.

When he died, Mr. Williams had been living out of wedlock with Sharon Nalle and her three children, to whom he also provided support. Mr. Williams was not the natural father of the Nalle children, nor had he adopted them. Although the workers compensation insurer paid benefits to each of the Williams and Nalle children, it sought a determination of the parties entitled to receive death benefits. The commission found that all the children, including the Nalle children were entitled to death benefits.

On appeal, the court said that the doctrine of "virtual adoption" does not create the legal relationship required by workers comp. The award to the Nalle children was reversed.

Williams vs. Freedom Trucking Inc., District Court of Appeals of Florida, Feb. 14, 1989 (*BI/02/Jan.-$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.*

Continued from page 19
Write 1103 on the reader service coupon.

• A two-part article from the Environmental Management Group Inc. discusses **asbestos management programs** and methods of controlling and managing asbestos in buildings and facilities. Write 1104 on the reader service coupon.

• American Risk Management Corp. has published three case studies of **pressure vessel failures** and related conditions at industrial plants. Also included are methods of determining pressure vessel integrity. Write 1105 on the reader service coupon.

• **PCB management in industrial facilities** is discussed in a booklet from ENSR Operations. Topics considered include plant down time, regulation of PCBs, risk management and legal considerations. Write 1106 on the reader service coupon.

• "Property Service Standards," a Crawford & Co. booklet, describes quality control standards the company when uses in **property claims services**. Write 1107 on the reader service coupon.

• **Eliminating PCBs from mineral oil-filled transformers** is discussed in an booklet available from ENSR Operations. Write 1108 on the reader service coupon.

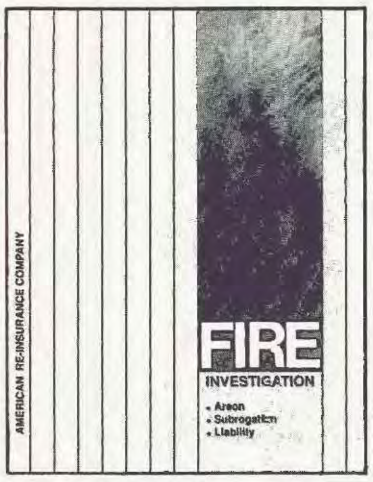
• American Risk Management Corp. offers a brochure containing three case studies of testing for **leaks in rooms or enclosures**. Write 1109 on the reader service coupon.

• Environmental Aspecs Inc. has published "Causes, Effects and Solutions for Sick Building Syndrome," a manual that discusses **indoor air quality** and the legal aspects of owner and designer negligence. Write 1110 on the reader service coupon.

• A brochure available from NATLSCO describes the company's **property loss control services**, including hazard analysis, program audits, design assistance, emergency planning and training programs. Write 1111 on the reader service coupon.

• A Crawford & Co. brochure describes the company's **environmental pollution claims services**. Write 1112 on the reader service coupon.

• Three case studies of **roof problems and methods to identify and analyze conditions for repairs** are described in a brochure from American Risk Management Corp. Write 1113 on the reader service coupon.



• A brochure containing two **fire investigation checklists** and an anti-arson underwriting guide is available from American Re-Insurance Co. Write 1114 on the reader service coupon.

• The Insurance Institute of America offers a flier detailing its five-course **Associate in Loss Control Management** designation program. Write 1115 on the reader service coupon.

Marine

• The Insurance Institute of America offers a flier that describes its **Associate in Marine Insurance Management designation** program, designed to teach identification of inland and ocean marine loss exposures and analyzation of marine insurance contracts. Write 1201 on the reader service coupon.

Reinsurance

• Insurance Solvency International offers a copy of VISION, a periodic newsletter for executives concerned with the **solvency of insurers and reinsurers** worldwide. Write 1301 on the reader service coupon.

• A booklet available from American Re-Insurance Co. offers an overview of **environmental tort cases**, including case citations and the proclivities of various jurisdictions. Write 1302 on the reader service coupon.

• Skandia America Group offers a 16-minute videotape highlighting the features of Treaty Expert Support System, an approach to the **development and application of expert systems for treaty reinsurance underwriting.** Write 1303 on the reader service coupon.

• A booklet available from American Re-Insurance Co. offers a compilation of **techniques designed to be useful for insurers to manage litigation**. Write 1304 on the reader service coupon.

• A copy of a 16-page paper delivered to the Annual Research Seminar of the Insurance Information Institute is available from Insurance Solvency International. The paper contains results of studies of **reinsurers' reserve deficiencies and difficulties with primary insurers' reinsurance recoverables**. Write 1305 on the reader service coupon.

• A booklet summarizing the elements of **post-judgment interest, pre-judgment interest and punitive damages** in claims reserving is published by American Re-Insurance Co. Write 1306 on the reader service coupon.

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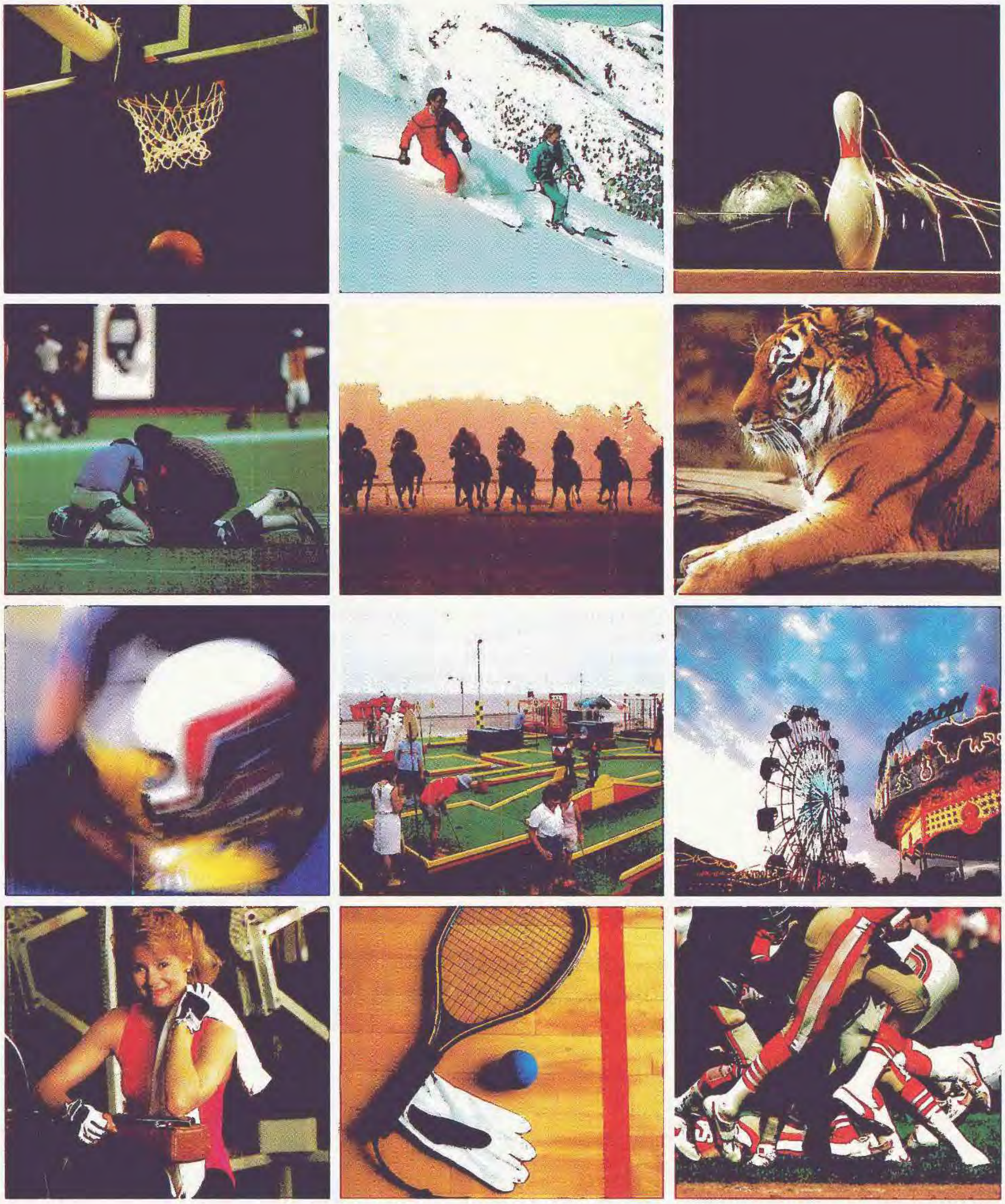

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• RFC Intermediaries Inc. offers "A Contemporary Guide to Reinsurance," a compendium of information on the **technical aspects of reinsurance**. Write 1307 on the reader service coupon.

• A 47-page historical study of **municipal defaults from 1800 to 1988** includes a bibliography, charts and graphs and is published by Enhance Reinsurance Co. For a free copy, write 1308 on the reader service coupon.

• A 50-page booklet available from American Re-Insurance Co. discusses recently enacted **state tort reform laws** that may affect the claims and underwriting functions of insurance companies. Write 1309 on the reader service coupon.

Risk management

• Johnson & Higgins offers a sample copy of its quarterly newsletter, "Insurable Interests." Topics include **risk management techniques, industry developments and information on insurance coverages.** Write 1401 on the reader service coupon.

• "Risk Review," published quarterly by Crawford & Co, is a 20-page newsletter discussing **developments in risk management** and claims handling. Write 1402 on the reader service coupon.

• **Office locations of** Gay & Taylor Inc. **insurance adjusters** are provided in a directory available from the company. Write 1403 on the reader service coupon.

• "Insite," a newsletter published by Johnson & Higgins, offers **articles on risk management and insurance topics of interest to those in the construction or construction-related industries**. Write 1404 on the reader service coupon.

• Crawford & Co. offers a **directory of heavy equipment appraisers** certified by the company in the United States and Canada. Write 1405 on the reader service coupon.

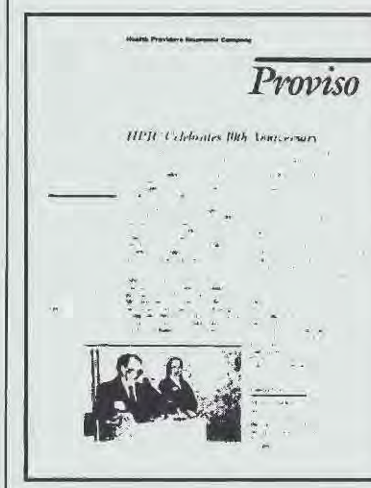
• A reprint available from Stone & Webster Management Consultants Inc. discusses the possible benefits of a **risk management audit**, including methods that can be used to locate a consulting firm to perform the audit. Write 1406 on the reader service coupon.

• "The Warren Report," a monthly newsletter published by David Warren, contains **information on risk management topics**. Emphasis is placed on reporting on the philosophical and managerial climates as they relate to risk management and on the analysis of current court decisions. Write 1407 on the reader service coupon.

• A quarterly publication of Risk Management Referral Service describes the company's free service designed to **help buyers locate vendors or risk management services** for their property/casualty or group insurance programs. Write 1408 on the reader service coupon.

• "Crawford & Co. 1989 Office Directory" includes a guide to locations providing a variety of **risk management related services** in the United States and Canada. Write 1409 on the reader service coupon.

• Health Providers Insurance Co. publishes a semiannual newsletter containing information on **topics of interest to health care risk managers**. Also included is information on products and services of the company. Write 1410 on the reader service coupon.



• A reprint available from Johnson & Higgins of Illinois Inc. explores the unique insurance and risk management needs of **midsize companies** and suggests strategies to use in choosing an insurance representative. Write 1411 on the reader service coupon.

• A booklet available from Gay & Taylor Inc. outlines the **insurance adjusting and risk management services** available from the company. Write 1412 on the reader service coupon.

• "Utility Insurance Update," a monthly publication of Stone & Webster Management Consultants Inc., contains articles on **risk management topics of interest to utility risk managers**. Write 1413 on the reader service coupon.

• A reprint of an article outlining the possible advantages of **small companies using national brokers** instead of local brokers is available from Johnson & Higgins of Illinois Inc. Write 1414 on the reader service coupon.

• A sample copy of "Betterley Risk Management Commentary," a quarterly publication discussing **current issues affecting risk managers** is available from Betterley Risk Consultants Inc. Write 1415 on the reader service coupon.

• Crawford & Co.'s **corporate vehicle claims service standards** are detailed in a brochure available from the company. Write 1416 on the reader service coupon.

• A list of **past issues of "Risk Management Reports,"** a quarterly publication of the Tillinghast division of Towers, Perrin, Forster & Crosby Inc., is available in a flier. Write 1417 on the reader service coupon.

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Business Insurance Info

NOTE: THIS COUPON WILL NOT BE SERVICED AFTER MARCH 16, 1990
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 F ☐ Ins Agent K ☐ Adj/Apprs
   B ☐ Association G ☐ Ins Broker L ☐ TPA
   C ☐ Union H ☐ Ins/Reins Co M ☐ Healthcare Inst
   D ☐ Government I ☐ Actry/Consit N ☐ Other
   E ☐ Educational Inst J ☐ Attorney
2. **Number of employees:**
   1 ☐ 150 or less 2 ☐ 151-499 3 ☐ 500-999
   4 ☐ 1,000-4,999 5 ☐ 5,000 or more 6 ☐ Unknown
3. **My title is best defined as:**
   A ☐ Administrative Mgt D ☐ Benefits Mgt
   B ☐ Financial Mgt E ☐ Loss Prevention Mgt
   C ☐ Risk Mgt F ☐ Other
4. **My purchasing involvement for the requested products is to:**
   1 ☐ recommend only 2 ☐ specify 3 ☐ approve
5. **Do you now receive a personally addressed copy of Business Insurance?**
   A ☐ Yes B ☐ No C ☐ Please send Busines 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
P.O. Box 1649, Riverton, N.J. 08077-7249

Please print clearly

Name ______
Title ______
Company ______
City ______ State ______ Zip ______
Phone ( ) ______

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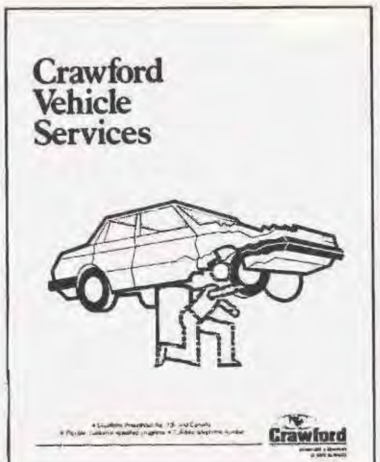
• Johnson & Higgins offers a booklet discussing how and why **companies may form alternative risk financing facilities**. Topics include alternative risk funding methods, reasons for forming facilities, considerations and steps in implementing facilities, and how to choose a manager. Write 1418 on the reader service coupon.

• The Crawford & Co. Trucking Directory lists locations of the company's **trucking claims adjusters** in the United States and Canada. Write 1419 on the reader service coupon.

• "Prospectus," a newsletter published by Johnson & Higgins, contains articles on **topics of interest to risk managers at financial institutions**. Write 1420 on the reader service coupon.



• An eight-page brochure from Crawford & Co. details the services available to **control the cost of vehicle damage repair**. Write 1421 on the reader service coupon.

• A brochure describing how the **alternative dispute resolution services** available from Judicate Inc. may benefit both defense and plaintiffs' attorney clients is available from the company. For a copy write 1422 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 1423 on the reader service coupon.

• A brochure available from Crawford & Co. highlights the company's Underwriting Risk Analysis service, designed to **analyze complex risks or risks involving serious exposures**. Write 1424 on the reader service coupon.

• The Insurance Institute of America offers a flier that details its **Associate in Risk Management designation** program, designed to teach risk management problem-solving techniques. Write 1425 on the reader service coupon.

• The "Cisco Herald," a periodic bulletin published by Construction Industry Services Group, is designed to inform the reader about **aspects of loss control programs** and other insurance and risk issues. Write 1426 on the reader service coupon.

• Johnson & Higgins publishes a periodic newsletter addressing **issues of interest to risk managers**. Write 1427 on the reader service coupon.

• A 12-page booklet available from Crawford & Co. details the company's **casualty claims service standards**. Write 1428 on the reader service coupon.

• A folder available from Corporate Risk Management Inc. describes their **risk management consulting and cost reduction services** for property and casualty coverages. Write 1429 on the reader service coupon.

• "Healthscope," a newsletter published by Johnson & Higgins addresses such issues as **alternative delivery systems, emergency care of disruptive patients, difficult medical decisions and hospital asbestos abatement**. Write 1430 in the box on the reader service coupon.

• A brochure describing Commonwealth Risk Services Inc.'s **alternative risk financing approach** is available. The program is designed to return the underwriting profit and investment income for an insurance policy back to the insured. Write 1431 on the reader service coupon.

• Crawford & Co. offers a directory of their **casualty general adjusters** in the United States and Canada. Write 1432 on the reader service coupon.

• The 1990 catalog and class schedule for Vale National Training Centers Inc. is available. Classes in **auto and residential building damage appraisals** are available. Write 1433 on the reader service coupon.

• Commonwealth Risk Services Inc. offers "The Funding Application," a brochure describing their funding technique for **hard-to-place or prohibitively priced coverages**. Write 1434 on the reader service coupon.

Risk management information systems

• A flier describing NRM Computer Systems Inc.'s Risk Management Information & Financial Analysis System, **a loss forecasting and trend analysis system**, is available from the company. Write 1501 on the reader service coupon.

• Crawford & Co. offers a brochure describing its SIGMA System Computer Assisted Loss Forecasting system (CAST), which helps **forecast future property and casualty losses.** Write 1502 on the reader service coupon.

• A brochure and sample diskette

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illustrate the reports generated from Risk Manager Workstation, an **automated claim loss information system** available from Zurich-American Insurance Group. Write 1503 on the reader service coupon.

• California Interactive Computing Inc. offers a booklet on **designing and selecting a risk management information system** designed to meet current as well as future needs. Write 1504 on the reader service coupon.

• A flier available from Crawford & Co. details its SIGMA System Litigation Management Support module, which is designed to help **analyze and control the severity and cost of litigation**. Write 1505 on the reader service coupon.

• A brochure from Coopers & Lybrand describes the features of Exhibitmaker 5, the company's **loss reserving software system** designed for property, casualty, accident and health insurance programs. Write 1506 on the reader service coupon.

• Crawford & Co. offers a brochure describing its SIGMA **risk management information system.** Topics covered in the brochure include management reporting, on-line claims management and computer hardware requirements. Write 1507 on the reader service coupon.

• The Computer Assisted Loss Management System (CALMS) is a series of **computer modules designed to record, track and analyze safety, health, fire and loss control management** activities. The system is outlined in a booklet that is available from the International Loss Control Institute. For a copy write 1508 on the reader service coupon.

Self-insurance

• Multi-Line Claims Management System, designed to administer **self-insured commercial automobile, general liability, professional liability** and other types of claims, is described in a flier from Insurance Software Packages Inc. Write 1601 on the reader service coupon.

• Advanced Systems Application offers a brochure detailing CAS II, the company's **automated claims administration system** for medical, dental, disability and vision claims payment. Write 1602 on the reader service coupon.

• Johns Eastern Co. Inc. offers a booklet describing its self insurance and **risk management services** including claims administration data processing, risk funding, safety services and actuarial services. Write 1603 on the reader service coupon.

• An IBM PC-compatible diskette gives an overview of Gallagher Bassett Services Inc.'s **claims administration system** designed for risk managers and insurance carriers. Write 1604 on the reader service coupon.

• Employee Benefit Plans Inc. offers a kit describing its products and services for employers that **self-fund benefit programs**, including plan design and consulting, administration and claims processing, medical cost-containment programs, underwriting of reinsurance coverage and data analysis and reporting. Write 1605 on the reader service coupon.

• A quarterly newsletter on **self-insurance risk and claims software** is available from California Interactive Computing Inc. Write 1606 on the reader service coupon.

• "The Story of David and the Giant" explains David Corp.'s **automated workers compensation, liability claims and risk management claims administration**. Write 1607 on the reader service coupon.

• National Health Services/CareReview offers a pamphlet describing CareTrack, its on-line **utilization review software** system. Write 1608 on the reader service coupon.

• Custard Claims Management Services Inc.'s Audit Brochure explains **evaluations necessary to effective claims practice and administration**. For a free copy, write 1609 in the box on the reader service coupon.

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• A pamphlet describing Genelco's Health Benefit Management System, a software system designed to provide **group health insurance administration** capabilities, is available from the company. Write 1610 on the reader service coupon.

• DIRECT, a newsletter featuring developments in the field of **self-funded direct reimbursement dental plans**, is available from the American Assn. of Orthodontists. Write 1611 on the reader service coupon.

• The American Dental Assn. offers a brochure detailing Direct Reimbursement, a method of structuring a **self-insured dental benefit program** that allows employees to select treatment by the dentist of their choice. Write 1612 on the reader service coupon.

• A packet providing a comprehensive overview of Concept DR, an **employer-managed direct dental reimbursement program**, is available from the Amercan Assn. of Orthodontists. Write 1613 on the reader service coupon.

• A brochure from Self Insurers Service describes various products it offers to meet **companys' unbundled risk management needs**. Write 1614 on the reader service coupon.

• Features of Fastrack, a **health claims administration system** available from Computations Inc., are noted in a booklet from the company. Write 1615 on the reader service coupon.

• **Claims administration services for self-insured companies** available from NGS/American are detailed in a flier from the company. Write 1616 on the reader service coupon.

• "JVR Concise Personal Injury Medical Dictionary," from Jury Verdict Research Inc., provides brief, non-technical **definitions of more than 1,000 medical terms**, standard medical abbreviations, as well as a chart of common medical symbols and illustrations of muscular and skeletal systems. Write 1617 on the reader service coupon.

• RESPONSEplus, a health claims adjudication and administration system **designed to automate premium calculations**, invoice generation, remittance processing, commission calculation, COBRA administration, claim adjudication and reporting, is detailed in a flier from Computations Inc. The system is designed for use by self-insured companies, third-party claims administrators and insurers. Write 1618 on the reader service coupon.

Workers compensation

• NRM Computer Systems Inc. offers a brochure describing its **Workers Compensation Claim Processing System**. Write 1701 on the reader service coupon.

• A brochure describes Crawford & Co.'s medical case management services designed to reduce **medical costs for workers compensation claims**. Write 1702 on the reader service coupon.

• Johnson & Higgins offers reprints of an article explaining the pros and cons of **self-insuring workers compensation** risks and the mechanics of establishing a self-insured program. Write 1703 on the reader service coupon.

• The features of COMPCLAIMS, an automated **workers compensation claims administration system**, are outlined in a booklet. Write 1704 on the reader service coupon.

• A flier details Insurance Software Packages Inc.'s automated **workers compensation claims administration system**. Write 1705 on the reader service coupon.

• InPhoto Surveillance offers a pamphlet suggesting indicators that a workers comp claimant may be malingering and advice on when to use **video surveillance**. Write 1706 on the reader service coupon.

• A booklet detailing Crawford & Co.'s services designed to **reduce workers compensation medical expenses** is available from the company. Write 1707 on the reader service coupon.

• ConServCo offers a brochure describing its **disability and medical cost management services** for workers compensation professionals. Write 1708 on the reader service coupon.

• Insurance Software Packages Inc. offers a flier describing its Medical Fee Schedule Validation System, an **automated system for workers compensation claims billing**. Write 1709 on the reader service coupon.

• A pamphlet describing how **video surveillance is used to determine the extent of workers compensation claimants' disabilities** and how tapes are used as evidence in settlement or trial is available from InPhoto Surveillance. Write 1710 on the reader service coupon.

• A booklet from Crawford & Co.'s describes its four-phase **automated program designed to reduce and control workers compensation costs**. Write 1711 on the reader service coupon.

• An article explaining the benefits of **integrating work comp and health coverages** is available from Consolidated Risk Management Services Inc. Write 1712 on the reader service coupon.

• A flier detailing Insurance Software Packages Inc.'s **automated workers compensation administration system** in single and multi-user versions is available from the company. Write 1713 on the reader service coupon.

• A brochure containing case studies demonstrating the **benefits of pre-employment back strength testing** is available from Health Economics Corporation. Write 1714 on the reader service coupon.

• A brochure available from CYBEX describes the company's **testing and rehabilitation systems for workers compensation claims**. Write 1715 on the reader service coupon.

• HCX CareScan, described in a packet available from HCX Inc., is a **service designed to monitor the appropriateness and progress of injury treatment** using computerized medical standards. Write 1716 on the reader service coupon.

• A 16-page booklet available from Darrell Heppner Risk Management Services Inc. provides an overview of OCCU-MED, a system designed to **provide pre-employment medical screening, job profiles and indication of physical abilities**. Write 1717 on the reader service coupon.

• A brochure offered by Safety Mutual Casualty Corp. discusses **workers compensation self-insurance, excess workers compensation insurance and self-insurance bonds**. Also included is information on the company. Write 1718 on the reader service coupon.

• A software system designed by Armada Software Inc. and Data General Corp. to expedite **workers compensation claims processing** is detailed in a flier from Armada Software Inc. Write 1719 on the reader service coupon.

• The **corporate quality control measures** used by Crawford & Co. in its workers compensation claims services are listed in a pamphlet. Write 1720 on the reader service coupon.

• A pamphlet from InPhoto Surveillance gives **guidelines for legal video surveillance of bodily injury claimants**. Write 1721 on the reader service coupon.

• A comprehensive listing of locations of Crawford & Co.'s **health and rehabilitation offices** throughout the United States and Canada is available. Write 1722 on the reader service coupon.

• "Implementing Cost-Effective Medical Cost Containment Systems" is a booklet available from Softouch Software Inc. describes a **bill auditing and reviewing system** for a large workers compensation insurer. Write 1723 on the reader service coupon.

• A brochure from American Reinsurance Co. details the company's services designed to **increase the quality of life of the massively-injured patient** while reducing insurance costs. Write 1724 on the reader service coupon.

Life cycle benefits

Continued from page 3

Susan Koralik, a consultant with Hewitt Associates in Lincolnshire, Ill.

"I think the next phase will be for employers to perform strategic benefits planning," said Kathy Glynn, a consultant in the Washington office of The Wyatt Co.

Report co-author Wendy B. Gray agrees. "Just as companies think about the life cycle of their products and what that means for the marketplace, firms can think about the life cycle stages of employees and what they mean for company programs and policies."

But, if employers analyze the different "life cycle" needs of their employees along with the company-provided benefits and policies that respond to those situations, they likely will find that they already offer a variety of benefits that meet workers' family needs, Ms. Gray said.

The Conference Board report cites a study by the Bureau of Labor Statistics that shows the most common benefits for full-time employees in firms with 100 or more employees include health, life, disability and retiree health care insurance and pension plans.

And, child care and elder care continue to be two of the fastest growing benefits, because workers who care for children or older relatives are three to six times more likely to have family problems interfere with their jobs, Ms. Friedman said.

But, employers also will likely find that they have not communicated these benefits as a whole "life cycle" package, Ms. Gray noted.

"Some companies would literally just have to re-communicate existing benefits and would not have to add many new benefits," she said.

Benefits experts agree.

While "employers have done a very good job in the area of family benefits, some may need to market the fact that they already provide these benefits," said Hewitt's Ms. Koralik.

The Conference Board report includes a chart that suggests how employers can break down employees' life cycle into phases and identify benefits already provided. Employers then can "see where the holes are and where new programs could be added," Ms. Gray said.

The chart lists eight phases in a typical worker's life and suggests benefits that should be available to them. The chart categorizes benefits into four groups: financial assistance; programs and services; counseling and information; and time-related benefits.

The life cycle phases and employer-provided benefits suggested by the authors' research are:

• The new worker.

The chart suggests that employer-provided financial assistance could include health care, life, dental and disability and pension benefits.

The programs and services and counseling employers could offer include a fitness center, an employee assistance program, wellness programs and health risk appraisals.

And employers could offer time off or leaves of absence for a death in the family, disability leave, holidays, vacation and sick time.

• Marriage.

The employer could provide such financial assistance as health insurance for the spouse and flexible benefits.

Programs, counseling and time off the employer could provide include job search assistance for the spouse, an EAP and a leave of absence to get married.

• Pregnancy and adoption.

The report suggests that employers could provide such financial assistance as adoption benefits, medical coverage for prenatal and postnatal care, and coverage for delivery at a birthing center or hospital.

Counseling and services could include prenatal courses and information. And, time off could include maternity disability leave, parental leaves for mothers or fathers, and alternative work schedules.

• Child rearing.

Employers could provide such financial assistance as medical, dental and life insurance for dependents and well-baby care coverage.

Employers could offer such programs as on-site day care, arranging day care in licensed family day-care homes, and providing a site for day care for sick children.

And, time-related benefits could include flexible work hours, free use of accumulated sick time, and sick leave for family illnesses.

• Divorce.

Employers could offer a prepaid legal plan, and time-related benefits could include a leave of absence.

• Elder care.

Employers could include such financial assistance as long-term care for dependents, the report suggests.

Programs could include adult day care, a prepaid legal plan and an EAP. And time-related benefits could include a leave of absence and flexible work hours.

• Retirement.

Employers could offer such financial assistance as pension plans, retiree health care coverage and long-term care coverage, the report says.

Counseling-related benefits might include pre-retirement counseling and newsletters for retirees.

• Death.

Employers could offer such financial assistance to the survivors of a deceased employee as life insurance.

The employer also could offer grief counseling through an EAP to the dependents of a deceased worker or to the employee who suffers a loss.

•

Copies of "A Life Cycle Approach to Family Benefits and Policies," Perspectives No. 19, can be obtained from the Publication Sales Department of the Conference Board, 845 Third Ave., New York, N.Y. 10022; 212-759-0900. The cost is $15 for associates and $60 for non-associates.

Advertiser Index

Issue of January 15

Business Insurance

Insurer Topics

A special editorial section sent exclusively to insurers and reinsurers

Warming relations

Insurers, consumers find some common ground

By MARK A. HOFMANN

Relations between the property/casualty insurance industry and consumer organizations are beginning to thaw, say prominent representatives for both insurers and consumers.

Indeed, since California voters narrowly passed Proposition 103 14 month ago, some consumer activists and insurance industry groups have discovered they share common concerns, like automobile safety, and have even formed coalitions to promote their shared goals.

Insurers also are making individual efforts to improve relations with consumers.

Other observers, though, see only minimal progress has been made in bridging the disagreements between insurers and consumer advocates.

For example, both sides have agreed to disagree about the need for the McCarran-Ferguson Act, the 1945 federal statute granting insurers limited immunity from federal antitrust laws.

And, some predict that the relationship between insurers and consumers will never be totally free of friction.

But even in areas of disagreement, much of the venom that marked the charges and countercharges each side hurled at each other before the passage of Proposition 103 in November 1988—when relations between the two groups reached a nadir—has dried up.

For the insurers' part, many are paying more attention to their customers, in part, because they have no other choice, according to Kimberley Paterson, president of Red Bank, N.J.-based Creative Insurance Marketing, which provides marketing and advertising services to property/casualty insurers and independent insurance agencies.

Ms. Paterson said the driving force behind insurers' sharpened focus on customers and direct contact with them is quite basic.

"It's fear. The insurance companies got hung" by consumers who voted for Proposition 103 and who have sought similar rate rollback laws in other states, she said.

Ms. Paterson said "it's very clear" that consumer resentment of insurance companies is not going to go away.

But, both sides are attempting to narrow their differences, many observers agree.

"I would say that our relations with the mainline consumer groups have never been better. We've made concerted efforts to reach out to consumer groups," said Mechlin D. Moore, president of the New York-based Insurance Information Institute.

Franklin W. Nutter, president of the Schaumburg, Ill.-based Alliance of American Insurers, also perceives less animosity in relations between insurers and consumer advocates.

"If I were to make an overall assessment, I'd say relations are improved," Mr. Nutter said. "We have reached out to build bridges."

However, "we haven't reached the pinnacle of success," he observed.

"There's more willingness to compromise" on both sides, said Esther Peterson, chairwoman of the Alexandria, Va.-based Consumer Insurance Interest Group and former consumer adviser to Presidents John F. Kennedy, Lyndon B. Johnson and Jimmy Carter.

For example, the CIIG, an independent panel of nationally recognized consumer advocates, has worked with the Alexandria, Va.-based National Assn. of Professional Insurance Agents on such projects as a consumer bill of rights and responsibilities and a report on how to better control the cost of personal automobile insurance claims.

Even J. Robert Hunter, president of the Alexandria, Va.-based National Insurance Consumer Organization, a member of the CIIG and one of the property/casualty industry's most vocal critics, is more optimistic that insurers and consumers can resolve some of their differences.

"I think there's hope, more hope than last year," that insurers and consumer activists will be able to cooperate on some issues, he said.

For example, Mr. Hunter calls the relationship between the CIIG and the PIA "very positive."

Mr. Hunter also praised the Washington, D.C.-based American Insurance Assn. for its role in creating Advocates for Highway & Auto Safety, a new consumer/insurer coalition that seeks to reduce motor vehicle-related fatalities (*BI*, Oct. 2, 1989).

"I think (AIA President Robert E.) Vagley and the AIA deserve a lot of credit for that," Mr. Hunter said.

Mr. Vagley said he became aware of the property/casualty insurance industry's "isolation" from the public long before the ballots were cast in favor of California's controversial Proposition 103 in November 1988. "Prop. 103 didn't produce any revelations at AIA," he said.

Actually, the association began sounding out some consumer organizations in late 1987 about finding possible areas of agreement, particularly regarding auto safety, Mr. Vagley said. "We obviously were interested in talking about issues in which there was common ground," he said.

After a series of "intense meetings" during the summer of 1988 between consumer groups, AIA staffers and representatives of AIA member companies, the idea that led to creation of the highway safety group late last year emerged.

The safety group marks the "beginnings of a new, revitalized coalition" between consumers and the insurance industry, Mr. Vagley said.

Jason Wright, director of corporate communications for Aetna Life & Casualty Co. in Hartford, Conn., also cited the newly formed highway safety advocacy group as a sign of progress in consumer/insurer relations.

"I think what we found is that we agree on a lot more things than we thought," Mr. Wright said. "You see more giving on both sides these days," he added.

Lowell R. Beck, president of the Des Plaines, Ill.-based National Assn. of Independent Insurers, said that cooperation among insurers and local consumer groups appears to be growing healthier every day.

Mr. Beck said that the NAII and its member companies look to build coalitions that include not only insurers and organized consumers, but other interested parties as well.

For example, when working on highway safety issues, the NAII expands its outreach to include groups such as Mothers Against Drunk Driving and local senior citizens groups, he said.

In addressing issues involving in-

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Common ground

Continued from previous page

surance costs, the NAII deals with organizations like local chambers of commerce and ethnic interest associations in urban areas in addition to formal consumer groups.

The NAII prefers this sort of grassroots approach because NAII members believe this strategy is more effective in building understanding between insurers and consumers than attempting to work out larger programs with national consumer organizations, Mr. Beck said.

"We're going to be doing this more and more," he said.

In keeping with this philosophy, the NAII has not joined either Advocates for Highway & Auto Safety or the new National Insurance Consumer Helpline, a joint project of the property/casualty, health and life insurance industries to answer consumer complaints about all lines of insurance (see story, page 28F).

Mr. Beck said the NAII wishes both projects well. However, the NAII prefers to deal the auto safety issue through existing programs like the Arlington, Va.-based Insurance Institute for Highway Safety, and NAII member companies prefer dealing with consumer questions and complaints through their own individual consumer affairs departments, he said.

Mr. Beck noted that the NAII has provided a consumer communications program for its member companies for about a year (*IT*, Dec. 12, 1988). Member companies can use camera-ready, prepared explanations of industry issues produced by the NAII however they wish.

Mr. Beck said companies have used the materials as premium notice envelope stuffers or have incorporated the information into their own company magazines or newsletters.

The AIA's Mr. Vagley and the Al-

Mr. Beck

Mr. Nutter

liance's Mr. Nutter, like Mr. Beck, also stress the need to reach out beyond the organized consumer movement in building coalitions.

"We need to engage other groups," Mr. Vagley said. For example, insurers have to talk to environmentalists and municipal government groups in searching for common ground on pollution issues, he said.

And as the insurance industry attempts to make workers compensation insurance more affordable, it must "engage organized labor and progressive elements of the business community," he said.

Similarly, as the Alliance develops its policies on industry issues, it will follow a "process of inclusion rather than exclusion" by encouraging interaction between representatives of member companies and representatives of other groups, including consumer and safety groups, Mr. Nutter said.

For example, safety experts and consumer group representatives have spoken to members of Alliance committees while the committee members were formulating association positions on public policy issues, he said.

"We think it has been a very valuable experience," he said.

Insurers themselves have taken the lead in instituting internal and external programs to improve consumer relations by improving customer service (see story, page 28G).

For example, the meetings between the AIA and consumer groups that led to the creation of the joint auto safety group coincided with the announcement by Gerald Maatman, president of the national insurance companies of Long Grove, Ill.-based Kemper Group, that the companies would attempt to form a similar group (*BI*, Oct. 10, 1988).

And, CIGNA Corp. recently launched an advertising campaign based on the theme: "We Get Paid for Results," said John Leonard, senior vp-marketing for the Philadelphia-based insurer. "If you can focus on customers' needs, you can get superior results," he said.

The idea "implies that you know what results are important to your customers," he said. This supports a recently instituted internal quality improvement program that stresses delivering quality service to the customer

Insurers also are realizing that they cannot solely rely on their agents to be their direct link with consumers, noted Ms. Paterson of Creative Insurance Marketing.

"Agents aren't always going to be the company's cheerleaders," she said. For example, if an agent, due to delays at the company, is forced to deliver a policy weeks or even months after it was expected,

'Agents aren't always going to be company cheerleaders,' says Kimberly Paterson, a marketing executive.

that agent is not going to "take the fall" for the insurer, she said.

"With Proposition 103 and the tide of consumer unrest nationwide, carriers are saying, 'We can't afford to leave this job to anyone else,' " Ms. Paterson said.

Insurers generally have done a competent job of building relationships with large commercial customers, Ms. Paterson said. "What we're seeing now is them beginning to look at small to medium-sized commercial accounts and personal lines customers," she said.

And, others say there is a long way to go in improving the relationship.

For example, despite his praise for the auto safety group developed by the AIA, NICO's Mr. Hunter declined to proclaim the current relationship between the insurance industry and consumers as rock solid.

Instead, "it's a mixed bag," he said.

As proof that "there's still a lot of craziness out there," Mr. Hunter cited remarks made in September by John B. Crosby, then senior vp and counsel of the NAII, likening the tactics of some consumer activists to those of Nazis (*BI*, Oct. 2, 1989).

The NAII disavowed Mr. Crosby's remarks amid a firestorm of criticism from the insurance industry as well as consumer groups. Mr. Crosby resigned from the NAII in October to enter private law practice in Chicago but said his resignation was not related to the controversy (*BI*, Nov. 6, 1989).

Robert Creamer, executive director of the Chicago-based Illinois Public Action Council, a consumer advocacy group, was even more

Continued on page 28D

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Common ground

Continued from page 28B

skeptical about any improvement in the relationship between insurers and consumers.

"I don't think there's any basis for a warming of the relationship," he said.

Mr. Creamer's group had sought several changes in Illinois insurance law during last year's legislative session. The changes included a personal automobile insurance rate rollback and the transformation of the Illinois insurance director's post to an elected from an appointed office. But, because of heavy lobbying by insurers, lawmakers rejected all of the IPAC agenda, Mr. Creamer said.

And, although the NAII has improved relations with consumers on a local level, Mr. Beck downplayed any idea of an appreciable warming between the industry and what he termed "national" consumer organizations.

"I think it's very hard to characterize" that relationship, Mr. Beck said. "Some are bent on attacking the industry" for making supposed excessive profits, he noted.

However, such attacks ignore the fact that the property/casualty insurance industry's return on equity lags behind that of other industries, he said.

For example, the Insurance Information Institute has estimated that the property/casualty insurance industry's rate of return on equity for 1989 was about 8.2%. The rate of return for Fortune 500 companies during the same period was roughly 13%, the III said.

"It's awfully difficult to deal with people who never give an inch," Mr. Beck said.

Ms. Paterson stressed that there is no quick fix to the wounded insurer/consumer relationship. While there is dialogue between insurers and national consumer organizations, the improved feelings are confined to those relatively high levels, she said.

For example, insurance association executives might be talking cordially to the leaders of national consumer groups about automobile safety and other common concerns, but the average consumer is not aware of these enhanced relations and still does not care much for insurance companies, she said.

"There never is a magical lamp," but there are three steps that insurance companies need to take to improve relationships with their customers, Ms. Paterson said. They must:

- Educate and communicate with customers.
- Deliver service at the moment of truth when the claim comes in.
- Provide service consistently. "You can't just do it for six months or a year," she said.

"I think companies are beginning to take action, but it's going to take time for it to filter down to the consumer," Ms. Paterson said. "The average person's opinion and experience hasn't changed at all."

Ms. Paterson pointed to the fact that public dissatisfaction with personal automobile insurance prices in New Jersey helped propel Rep. James J. Florio, a Democrat, to a landslide victory in last November's gubernatorial race as an example of how much the public mistrusts insurers.

One of the major campaign promises made by Mr. Florio, who takes his oath of office Tuesday, was more stringent regulation of the insurance industry.

Scott E. Harrington, professor of insurance at the University of South Carolina at Columbia, said insurers must look hard at public policy issues such as safety, air bags and no-fault insurance and promote those that work to the consumers' benefit.

"If they don't, it makes it all the more difficult to ward off punitive regulation," he said.

Mr. Harrington said that insurers will have to take a long-term view, sacrificing some premium volume—and therefore profits—in return for reforms such as no-fault automobile insurance.

Agents will have to make the same sort of trade-off: swapping short-term earnings for long-term survival, he said.

At the same time, insurers must be wary of what Mr. Harrington described as "extreme consumer elements."

"If one takes the extreme agenda of certain consumerists, there is no room for compromise," Mr. Harrington said.

For example, insurers should fight attempts to eliminate territorial rating for private passenger auto insurance, he said. Eliminating territorial rating would result in "gross inefficiency" in the insurance marketplace, he said.

"The private sector is very good at risk assessment. If the government eliminates that role," the reason for private-sector involvement in insurance will shrink, he said.

Despite some setbacks and pockets of seemingly intractable disagreement, observers remain optimistic that the relationship between insurers and their customers has grown less antagonistic.

"I think if you just sit back and reflect on the rhetoric now, compared to 14 months ago right after Proposition 103, there's been a marked improvement," said the AIA's Mr. Vagley.

And the efforts to find common ground between the two groups must continue, he said.

"We can't win alone," he said. ■

Insurer Topics

Industry groups reach out with phone hot line

By MARK A. HOFMANN

The new year ushered in a new spirit of intra-industry cooperation with the opening of a toll-free telephone hot line for insurance consumers.

Consumer-oriented insurance hot lines are not novel, but the National Insurance Consumer Helpline, sponsored by major insurance trade groups, is the first to address all lines of insurance.

Questions are fielded from 8:30 a.m. to 8 p.m. EST Monday through Friday at 800-942-4242. The help line is manned by licensed insurance agents, who can refer callers to industry groups or companies for answers to detailed inquiries. The help line will not, however, recommend insurers, agents or brokers.

The help line, which was launched Jan. 2, was designed with the knowledge that the public does not always differentiate among various types of insurance when seeking answers to specific insurance problems or looking for definitions of terms (*BI*, Dec. 11, 1989).

As a result, the help line is one of the first insurance industry projects that ignores distinctions among life, health and property/casualty insurers, say its proponents. Insurance industry association executives involved in the project say they expect such industrywide cooperation may in the future be extended to other efforts.

Three disparate trade groups began discussing the hot line about a year ago: the American Council of Life Insurance and the Health Insurance Assn. of America, both of Washington, D.C., and the Insurance Information Institute of New York.

The Washington-based American Insurance Assn. and the Schaumburg, Ill.-based Alliance of American Insurers later joined the hot line effort.

Other insurance industry groups, including the principal insurance agents' associations, also have supported the help line.

"This recognizes that consumers have questions that cross coverage lines," said Franklin W. Nutter, president of the Alliance.

"We had concluded that the public does not make distinctions among types of insurers," agreed AIA President Robert Vagley.

The sponsoring trade groups are able to draw upon their experience with consumer hot lines. For instance, an III line begun in the early 1980s drew about 60,000 calls in 1988 and about 70,000 last year, said Barbara Taylor, III vp-consumer affairs.

Publication of the III hot line's phone number in a syndicated newspaper feature—"Hints from Heloise"—stirred interest in the service, she said.

The III hot line will be phased out in favor of the all-industry effort, said Mechlin D. Moore, the group's president.

An HIAA hot line was another example of a successful operation. An independent company, Annapolis, Md.-based Telespectrum Inc., operated the hot line for the association, using specially trained representatives who were licensed insurance agents in Maryland to answer health-insurance related questions, said HIAA President Carl J. Schramm.

Initial supporters of the National Insurance Consumer Helpline decided to build upon the HIAA structure by cross-training Telespectrum's existing hot line staff in life insurance and property/casualty issues, said III's Ms. Taylor.

Although the new help line fielded only three calls on its first day and 172 in its first, truncated, week of operation, the service is expected to answer roughly 100,000 inquiries in its first year, Ms. Taylor said. The participating trade associations are expected to split the hot line's $600,000 cost this year, she added.

The help line staff will field questions on all areas of insurance. Questions that cannot be answered by representatives, or complaints about specific companies, will be forwarded to the sponsoring organizations, said Ms. Taylor.

She noted that the III already has a list of 3,000 property/casualty company contacts who can handle complaints. In some cases, the company representative will contact the consumer; other times, the question will be directed to a sponsoring group, she said. The service also will provide pamphlets or other information about specific types of insurance or industry issues.

However, J. Robert Hunter, president of the Alexandria, Va.-based National Insurance Consumer Organization, is somewhat skeptical of the help line service.

Mr. Hunter said that if a consumer asks which insurer has the lowest rates for a particular type of coverage, the hot line's sponsors will not likely be willing to offend any members by providing that information.

"The problem with industry-sponsored help lines is that they can't pick and choose among their members," Mr. Hunter said.

Indeed, help line representatives will not recommend specific insurers, and instead suggest that callers ask friends and associates for recommendations concering insurance agents or companies.

Despite his skepticism, Mr. Hunter said that the help line demonstrates that insurers are "aware that they need to do things" to help consumers.

Another prominent consumer activist, Esther Peterson, chairwoman of the Consumer Insurance Interest Group, said she would withhold judgment on the help line until it has a track record.

But trade association officials are excited about the service.

For the time being, "I'm hugely enthusiastic," said the HIAA's Mr. Schramm.

ACLI President Richard S. Schweikeradded, "I think this is one of a series of things that the industry can do to repair its image."

"I think its principal characteristic is that it's another example of the industry dealing with sensitivity with its customers," said the AIA's Mr. Vagley.

The executives also pointed to the creation of the help line as an example of how the various portions of the insurance industry can work together.

"I think there is even more of a congruence of interests than even the most optimistic among us had ever imagined," said Mr. Vagley.

Mr. Schweiker added, "I think this is the first of probably a series of things we will do together." ■

Insurer Topics

Colonial Penn's quality control reaps rewards

By MARK A. HOFMANN

PHILADELPHIA—The slogan rolls off the tongue easily, but "Commitment to Excellence" gets more than lip service from managers at Philadelphia-based Colonial Penn Insurance Co.

Colonial Penn's commitment to excellence effort, dubbed "CTE" is designed to instill in all Colonial Penn employees a commitment to the insurer's definition of "quality," which is "meeting customers' needs," said Thomas H. Berry, vp-organization development for the insurance subsidiary of North Palm Beach, Fla.-based FPL Group Inc.

To achieve that, Colonial Penn managers and non-managers work in teams to hammer out answers to problems that insurer believes could prevent it from obtaining several customer service-related objectives.

And, CTE already is paying dividends. For example, between mid-1988 and mid-1989, the insurer saved $60,000 by speeding up claims settlements.

Colonial Penn's CTE is not a program; rather, it is a continuous process, Mr. Berry stressed.

"It's our name for what is generically called 'total quality management,' " he explained. And total quality management requires getting everyone in an organization "involved in continuous improvement activities," he said.

Colonial Penn made its initial foray into quality improvement during the early 1980s when it experimented with "quality circles," in which teams of workers pursued a specific project from start to finish, Mr. Berry said.

But while some manufacturers at that time were successfully using quality circles, they did not work particularly well for Colonial Penn, which provided financial products rather than manufactured goods, he explained.

In addition, under the concept of quality circles, managers do not participate in the circles, so the concept did gain a firm commitment from top management, Mr. Berry said.

But the Dec. 31, 1985, acquisition of Colonial Penn by FPL Group, the parent company of Miami-based Florida Power & Light Co., and the subsequent restructuring of the insurer led to renewed interest in quality improvement, Mr. Berry said.

Colonial Penn previously was owned by Colonial Penn Group Inc., a Wilmington, Del.-based holding company with interests in insurance, travel services, real estate and various data and administrative services.

By mid-1986, the insurer pinpointed two reasons for initiating a quality improvement process:

- Colonial Penn executives felt that providing outstanding service would give them a competitive edge.
- A quality improvement process adopted in 1981 by Florida Power & Light, the insurer's new sister company, had greatly improved customer service and satisfaction, and Colonial Penn executives thought that they could learn from the utility's experience.

Colonial Penn apparently picked an exemplary teacher. On Oct. 18, 1989, the utility became the first non-Japanese company to receive the Deming Prize—which recognizes outstanding quality enhancement efforts—from the Union of Japanese Scientists and Engineers.

Florida Power & Light was the first non-Japanese company to seek the prize, which had been restricted to Japanese companies until 1986, when an Overseas Company category was added.

The prize, established in 1951, was named after U.S. quality expert W. Edwards Deming.

Florida Power & Light's quality improvement process helped reduce the average length of service interruptions to 48 minutes in 1989 from 100 minutes in 1982, according to Robert E. Tallon, president of the utility.

The process also helped reduce lost-time injuries at the utility to 0.42 per 100 employees from more than one per 100 employees in 1982.

The six corporate objectives Colonial Penn spelled out for its quality improvement program were to:

- Build a strong customer-focused culture.
- Improve the problem-solving skills of employees at all levels of the company.
- Reduce costs by reducing poor quality work.
- Improve teamwork.
- Build a shared commitment to quality.
- Increase customer satisfaction.

The formal process began in October 1986 with special training sessions for about 30 managers at Colonial Penn's Southeast regional home office in Tampa, Fla.

The trainees became part of the first six project teams, each of which tackled a different problem.

The teams began meeting for an hour a week in late December 1986 to take on such initial problems as improving customer retention, reducing unnecessary customer contacts—such as repeated customer calls about problems because no Colonial Penn employee provided a clear explanation initially—and making timely payments to vendors.

The initial teams completed their projects in about a year.

But even before the projects had been completed, management deemed the concept successful enough to pursue it further. Six additional teams consisting of only non-management employees were formed in mid-1987 to deal with other aspects of improving customer service.

About 150 employees applied for those initial 36 non-managerial team slots.

The basic unit of Colonial Penn's CTE remains the quality improvement team. The insurer now has roughly 135 teams consisting of both management and non-management employees at the home and regional offices, Mr. Berry said.

The typical team consists of five or six people "who have selected or been assigned a quality improvement project," he said.

Team members receive special training from Colonial Penn em-

Continued on next page

Insurer Topics

Codes key to cutting storm loss, says study

By MARK A. HOFMANN

OAK BROOK, Ill.—Although the value of insured property has dramatically increased in states vulnerable to hurricane losses, the magnitude of property losses from such storms can be reduced by strong, properly enforced building codes, according to a recent study.

And, the cost of improving a building's ability to withstand severe winds is considerably lower than estimates provided by many builders and developers that oppose more stringent construction standards in hurricane-prone areas, according to the study found.

In "Surviving the Storm: Building Codes, Compliance and the Mitigation of Hurricane Damage," the Oak Brook, Ill.-based All-Industry Research Advisory Council examined the impact of five recent hurricanes: Hurricane Alicia in 1983; Diana in 1984; Gloria in 1985; Gilbert in 1988; and last year's Hurricane Hugo, which caused more insured damage in the United States than any other catastrophe in the past four decades.

The AIRAC study found that property values in the coastal states most exposed to hurricane damage have soared over the past eight years. For example, among the 18 Atlantic and Gulf Coast states at risk for hurricane damage, the total insured property exposure increased 64% to $1.86 trillion in 1988 from $1.13 trillion in 1980 in areas most likely to be hit by a hurricane, the study found.

The total figure includes both commercial and residential property exposures.

Property in three states—Florida, New York and Massachusetts—accounted for more than half of insured coastal property exposure in 1988, according to the AIRAC study.

Total insured property exposures in Florida alone was $565.8 billion, while New York accounted for $301.7 billion and Massachusetts, $179.8 billion.

In addition, the three states with the biggest percentage increase in total insured property exposures were: New Hampshire, up 85% to $18.5 billion in 1988 from $10 billion in 1980; South Carolina, up 83% to $31.2 billion from $17 billion; and Delaware, up 80% to $38.7 billion from $21.5 billion.

In those coastal states most exposed to hurricanes, the AIRAC study found that the value of insured residential property had increased 52% to about $933.5 billion in 1988, from about $615.6 billion in 1980.

And, the value of insured commercial property in these coastal states jumped 80% to $924.6 billion from $514.1 billion in 1980.

Despite the increase in property values, the quality of current building codes and the level of compliance with those codes varies considerably, even within individual states, the study found.

For example, a South Carolina building official is quoted as saying there was a "marked difference" between levels of Hurricane Hugo damage to houses where building codes were in effect and those where either no code had been adopted or the house had been built prior to the adoption of a code by the local government.

"Those built under code sustained minimal damage and were back in service much earlier than those built before code enforcement," Gary Wiggins, director of the South Carolina Building Codes Council in Columbia, S.C., says in the AIRAC report.

According to the report, Mr. Wiggins cited the Garden City, S.C., area as a good example of a community "where a clear relationship between damage levels and the debut of code enforcement could be seen. Parts of this area were also subjected to storm surge and the homes built to code came through the storm in much better condition than those that were not."

The report also noted that damage from Hurricane Hugo in South Carolina "was also more serious in a number of rural counties that have no code enforcement at all. Several of these are coastal counties or counties adjacent to coastal counties including Jasper, Berkeley, and half of Dorchester County."

According to the AIRAC report, "these areas sustained more widespread and uniform damage due to a lack of code enforcement. (Mr.) Wiggins noted that immediately following the hurricane there was new momentum to establish mandatory building codes statewide. The issue of mandatory building codes had been dormant prior to Hugo."

On the other hand, three South Carolina counties—Charleston, Horry and York—that were hit by Hugo have strong codes and code enforcement programs, Mr. Wiggins reported to an AIRAC researcher. According to the study, he said "there is clear evidence in these areas of how building codes made a difference, especially when comparing new development after codes and wind provisions were in place."

However, the report pointed out that building codes have been the subject of considerable disagreement.

One common sticking point has been the cost of improving a building to withstand an additional 20 mph of wind or more above the 70- to 80-mph standard established by the Council of Building Code Officials in 1986.

For example, in Florida, the Collier County Building Contractors estimated last year that the additional protection could add 20% to 70% to the cost of a new house, the study said. According to the study, the contractors estimated the average increase at 40%.

Various building code officials, on the other hand, "had speculated that such a change would result in only a marginal increase in construction costs," according to the report.

Therefore, AIRAC commissioned a research unit of the National Assn. of Home Builders of the United States to study the costs of increasing a home's wind resistance standard to 100 mph from the 70- to 80-mph standard. That group pegged the additional cost at 1.8% to 3.7% of a home's total sales price including land, depending on the type of construction.

Additional contractor costs for contractor overhead, profit and other indirect costs would push the improvements up to the range of 2.1% to 4.4% of the total sales price, according to the Washington, D.C.-based builders' association.

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Single copies of "Surviving the Storm" are available free from the All-Industry Research Advisory Council, 1200 Harger Road, Suite 310, Oak Brook, Ill. 60521; 708-572-1177. Additional copies are $4 each.

Quality program

Continued from previous page

ployees who already have been involved in quality improvement teams in analyzing problems, he said. "This is not just a group of people who sit around," he stressed. "They really have to dig up facts."

Their essential task is to answer the question: "What is the root cause of the problem?" Mr. Berry said.

The teams make recommendations based on cost/benefit analyses. "It's a structured problem-solving process," Mr. Berry said.

Although both managerial and non-managerial employees take part in the process, the teams consist of a much greater proportion of managers, according to Mr. Berry.

In fact, even Colonial Penn's president and chief operating officer, Douglas B. Pierce, has been a member of a CTE team, Mr. Berry pointed out.

"Management involvement in this process is quite critical," he said.

Senior management must create "very focused" business plans that identify a handful of vital goals for the organization, Mr. Berry said. Once those goals have been determined, managers must communicate them to all levels of the company, he said.

In addition to CTE teams, Colonial Penn is implementing on a companywide basis a plan to improve the quality of employees' daily work, Mr. Berry said.

The day-to-day process establishes sets of procedures for improving quality at the operating level of the organization, he said.

A booklet on CTE distributed to Colonial Penn employees explains: "Each area is part of a quality chain that links us to each other and to our customers. For example, the Word Processing Department produces letters in response to Customer Service Department requests. These letters then become communications links between our company and our policyholders.

"Quality in Daily Work assures that all links in our quality chain are strong. Ultimately, customers are satisfied by the strength of our individual efforts and the quality of the final product or service that emerges."

As part of this plan, employees in each unit collaborate on a departmental mission statement that establishes long-term goals.

Each unit then defines the products and the services it provides and the unit's specific functions within the organization as a whole.

Then the unit's customers are identified. In the case of Colonial Penn, customers may be external—such as policyholders—or internal—such as other departments or units of the parent company.

Each department then establishes quality indicators to measure the impact of their efforts, such as setting up a standard for the maximum amount of time necessary to process a specific type of claim.

The indicators are constantly under review by both internal and external customers, who the company surveys.

"We've gotten some really good results out of this," Mr. Berry said, explaining that the emphasis on quality helps the insurer save money by eliminating the need to do the same job more than once.

For example, during the first year the plan was in effect, customer complaints and policy lapse rates were reduced, reducing costs $181,500 and enhancing revenues by $400,000.

The process also is credited with reducing claims costs by $76,632 and saving about $150,000 in overnight shipping costs.

And, the insurer reduced its temporary help costs by $457,824.

These savings were made possible by "getting it right the first time," Mr. Berry said.

The success of the Colonial Penn program has inspired Mr. Berry to write a book with the working title of "Under New Management—Achieving the Total Quality Transformation." The book, which is being published by McGraw Hill, is expected to be available by autumn. ■

Safety measures increase highway danger, study says

Truck speed and lane restrictions on multilane highways do not improve safety, according to a recent study.

Some of the most common restrictions on trucks not only did not lead to improved safety, but also actually created more hazardous conditions, the study's authors found.

"The Effect of Truck Traffic Control Strategies on Traffic Flow and Safety on Multilane Highways" was conducted by Nicholas J. Garber and Ravi Gadiraju of the University of Virginia's School of Engineering and Applied Science in Charlottesville.

The study was commissioned by the AAA Foundation for Traffic Safety in Washington, D.C., a research group financed by the American Automobile Assn. and local AAA chapters.

The researchers studied traffic patterns at nine sites in Virginia, including heavily traveled stretches of interstate highway around Richmond, Roanoke and Fairfax County.

Researchers sought to determine whether common traffic control techniques—such as restricting trucks to the right lanes of multilane highways and holding trucks to a lower maximum speed limit than private passenger automobiles—led to reduced accidents.

However, the study found, such restrictions actually created unsafe traffic conditions.

"The combination of a lower speed limit for trucks and restricting trucks to the right lane increased the interaction between trucks and cars and, therefore, the potential for passenger car/truck accidents," the researchers said.

"The best strategy for reducing this interaction was for trucks and other vehicles to have the same speed limit," they concluded.

And, restricting trucks to the right lane meant that cars entering the highway had fewer chances to merge with traffic, the researchers said. This created a "barrier effect" and increased hazards for motorists, they said.

Common safety restrictions actually created unsafe traffic conditions, a study finds.

The barrier effect was greatest on highways with three or four lanes in each direction that carried an average daily traffic volume of more than 75,000 vehicles, of which more than 4% were trucks, the study found.

The study also concluded that maintaining lower speed limits for trucks "had no significant effect on the volume distribution of trucks and non-trucks among the different lanes of multilane highway."

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Single copies of "The Effect of Truck Traffic Control Strategies on Traffic Flow and Safety on Multilane Highways" are available for free by contacting the AAA Foundation for Traffic Safety, 1730 M St. N.W., Suite 401, Washington, D.C. 20036; 202-775-1456

Market forecast

Continued from page 3

bined ratio for every line of business deteriorated last year, and the industry's underwriting loss almost doubled to $21.5 million from 1988.

While the industry reported enough profits to increase its statutory surplus 13% to $134 billion, about half of the gain was generated by unrealized capital gains, Mr. Buckley pointed out.

A delayed increase in commercial insurance pricing until year-end is "unfortunate," he said, "because we are, as an industry, setting ourselves up for, bracket, large increases required in commercial lines. I don't believe the buying public will tolerate it."

Commercial insurance buyers have alternatives to buying conventional insurance, he noted.

Mr. Byrne prefaced his prediction of prolonged price competition with the comment that the integrity of insurers' balance sheets is "weak."

By understating loss reserves to pay future claims and understating loss expense reserves, as well as failing to recognize the cost of unrecoverable reinsurance and deferred tax liabilities, the commercial insurance industry is overstating surplus by as much as $20 billion to $40 billion, he estimated.

"We're lying to ourselves and our constituencies about our capital and what our real costs are," he asserted.


Mr. Buckley


Mr. Byrne

The commercial insurance industry will not raise prices until it has lost some of that "reported capital" and becomes afraid to underwrite risks, he said. And it will take four to five years for the industry to report reduced capital, Mr. Byrne said.

Mr. Buckley disagreed that the industry is overstating its capital but acknowledged concerns about the adequacy of loss reserves. He added that he has never known a company to be overreserved.

Nonetheless, he questioned whether the overall economy could afford for insurers to reserve now for the full cost of future claims in such areas as asbestos, workers compensation and environmental impairment liability.

Mr. Buckley and Mr. Byrne agreed on one market prediction: Property/casualty insurance industry financial results will be worse in 1990 than they were in 1989.

"We'll look back on '89 as a good year for us," Mr. Byrne said, drawing nervous laughter from the audience of CEOs and other industry leaders.

William H. Bolinder, U.S. manager of the Zurich Insurance Co. and CEO of affiliated companies in the Zurich-American Insurance Group of Schaumburg, Ill., agreed that 1990 "will not be a good bottom-line year" because the industry will start to feel the full impact of its increased tax liability, the guaranty fund cost of insurance company insolvencies and reinsurance recoverable problems.

As a result, "we'll start to see the market firming" this year, he said.

While no one disagreed with Mr. Bolinder's observations on the factors that will reduce industry profits this year, they did rebut widespread predictions that higher reinsurance costs created by 1989 catastrophes could help firm primary insurance company pricing.

"I see no signs whatsoever of a significant impact on our overall costs of reinsurance that will drive us to change our primary prices," Mr. Buckley said.

Gerald A. Isom, president and chief executive officer of Transamerica Insurance Co. in Los Angeles, asked: "How long can we go on without giving a satisfactory return" on equity?

Mr. Byrne answered: "That's the problem Gerry. We can go a long, long, long way."

Mr. Byrne pointed out some insurance companies are mutuals, which by definition means they are not concerned about return on capital.

In addition, not all boards of insurance companies put equal demands on their managements for profits, he noted.

And, "Wall Street has an amazing ability" to sell the insurance industry, he noted, pointing to $18 billion in funds raised for insurers in 1984 and 1985.

"The normal laws of economics—if you don't earn a return on the capital, you are not going to get capital—seem to have been suspended for our business for the last 30 years," Mr. Byrne observed.

Peter Lardner, president and chief executive officer of Bituminous Insurance Cos. in Rock Island, Ill., likened comments by some insurer executives that they would increase rates to the pledges of smokers to kick the habit. "They tell their wife or husband, the people they work with and their neighbors."

Similarly, he suggested, "if the trade press can get enough people to say they are going to start behaving in underwriting, we may have some behavior modification by '91."


Mr. Bolinder


Mr. Isom

But Mr. Byrne objected. "It doesn't work that way. You tell everyone that you are going to give up smoking and then you go down to the cellar and sneak a puff."

More nervous laughter erupted.

Mr. Lardner, however, maintained that the current pricing conditions cannot last another five years, because "most companies don't have enough investment income to report any earnings" if current pricing trends continue.

Mr. Lardner also expressed hope that efforts to control the rising cost of private passenger auto and workers compensation insurance will "do constructive repair to the insurance mechanism."

The rising cost of defending claims also concerned the CEOs.

Citing a recent ISO study that found defense costs for casualty lines have increased to 13.9% of losses in 1988 from 9.6% of losses in losses in 1978 (*BI*, Jan. 8), Mr. Isom said insurers must act to control these costs.

He recommended that insurers must manage defense costs by engaging quality attorneys, auditing legal bills and improving the management of cases to close them sooner before more legal bills are amassed.

He also questioned how much of the increase in defense costs is related to pollution issues, which the ISO study did not address.

Mr. Byrne added that the ISO report on defense costs "is really scary" because it points out that loss reserves for legal costs are one-half of what they should be.

"We are overstating our capital by $10 billion to $15 billion just for legal costs," he said.

Mr. Bolinder commented that Zurich finds using staff attorneys to defend claims is efficient, achieving "at least equal results at half the cost." And, when outside counsel is engaged, Zurich is beginning to require that an action plan and budget for the case be submitted, he said.

Mr. Bolinder also recommended that insurers make more use of alternative dispute resolution mechanisms, like arbitration and mediation, and stage more mock trials to develop a game plan for the litigation. Such mock trials can reveal that "the play we are rehearsing we don't want to open on Broadway," he said.

Controlling defense costs is one aspect of the overall strategy that insurers must adopt in the 1990s, Mr. Buckley said, pointing out that insurers must operate more efficiently.

Mr. Lardner interjected that the insurance industry also should continue "re-evaluating the usefulness of the American tort system," which he characterized as "outrageously expensive in terms of transfer costs and outrageously inequitable in terms of the distribution of proceeds."

If insurers do not promote changes in the tort system, "we lock ourselves into a product whose costs are going to continue to go up and up despite our best efforts," Mr. Lardner said.

"You see that in private passenger auto" insurance, he said, adding that in "many areas of the country we have a product that we try to sell that is absolutely obsolete."

The rising cost of guaranty fund assessments to pay claims against insolvent insurers also was mentioned several times by the CEOs.

Mr. Byrne suggested that the insurer solvency problem is inviting Congress to enact a "federal solution."

Pointing out that legislators have been told that there are parallels between the demise of savings and loans and insurance company insolvencies, Mr. Byrne said that Congress could be convinced that federal regulation is necessary.


Mr. Lardner

Instead of federal regulation for solvency, actuaries and public auditors must do a better job analyzing insurance company financial statements so capital is not overstated, he said.

In addition, he called for a "much stronger centralized office" to be maintained by the National Assn. of Insurance Commissioners.

Generally, the panelists also expressed support for maintaining the insurance industry's limited antitrust exemption afforded by the McCarran-Ferguson Act.

"Stop and examine the issue of McCarran-Ferguson," Mr. Bolinder advised. "Before you break ranks on it, ask yourself if your customers and your company will be better off without it. The answer is definitely no."

But, Mr. Isom commented that antitrust concerns are becoming a state issue. The insurance industry's premium volume is concentrated in a "handful of states, and one of those states has said to heck with McCarran-Ferguson anyway," he noted.

Mr. Isom was referring to California, where Proposition 103 repealed exemptions to state antitrust laws.

The CEOs also agreed, prompted by a question from Independent Insurance Agents of America President Southgate Jones, that they must improve service to policyholders.

"The customer is the most important part of the transaction, and the industry—and Zurich—knows that," Mr. Bolinder said. "We have to listen to the customer" to determine wants and needs and to develop responsive products, he added.

Mr. Lardner said that "we are much more aware of the power of the customer and therefore our dependency on customer attitudes and reactions."

While the industry is putting a great deal of effort into responding to demands for more affordable private auto insurance, "we also are aware that we have room for improvement in customer service," Mr. Lardner continued.

Customer service is more than delivering a "timely quotation to an agent," he said.

Mr. Buckley observed that while the insurance industry responded well after Hurricane Hugo and the San Francisco earthquake last fall, it is "unable to sustain the same type of service attitude and customer orientation day in and day out."

The insurance industry has to change that, because "only improved service efficiencies and delivery of the product" will improve the industry's image with consumers, he said. "No amount of money will buy their favor," he warned.

Mr. Byrne agreed, adding that the industry has a "marvelous opportunity on private passenger auto insurance" in California. But, he said, "I think we are going to screw it up badly," because the industry cannot agree on a single package of reforms.

"We must get behind a single package of reforms that really drives costs out of the system. We have to deliver cost savings and promise them up front."

Mr. Bolinder also called on insurance company executives to communicate the insurance process with their employees, families and friends to "build bridges of communication" on what is right and wrong with the insurance process and to expand their good reputations as individuals to the industry at large.

III President Mechlin D. Moore moderated the discussion. ■

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NOTICES

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

IN THE MATTER OF THE LIQUIDATION OF EQUITY GENERAL INSURANCE COMPANY
NO. 89 CH 9915

NOTICE OF CLAIMS DATE AND PROCEDURES

PLEASE TAKE NOTICE, that on November 20, 1989 and Order of Liquidation with a Finding of Insolvency was entered against Equity General Insurance Company ("Equity General") by the Circuit Court of Cook County, Illinois. Zack Stamp, the Director of Insurance of the State of Illinois is the statutory and court affirmed Liquidator of Equity General.

TAKE FURTHER NOTICE, that on November 21, 1989 the Circuit Court of Cook County, Illinois entered and order Fixing the Time and Procedure for Filing of Claims, which said Order was amended by the Court on November 27, 1989 (the "Fixing Order"). Pursuant to the terms of the Fixing Order, all policies of Insurance of Equity General are cancelled as of 12:01 a.m. on December 21, 1989, and all rights and liabilities of Equity General and its creditors, policyholders, and stockholders, and all other persons interested in its assets are fixed as of December 20, 1989, unless otherwise provided by a later Order of the Court.

TAKE FURTHER NOTICE, that all insured and all persons who have a cause of action against an insured of Equity General under a liability insurance policy, shall have the right to present and file with the Liquidator proper proofs of claims on or before 4:30 p.m. C.S.T., on:

1. January 19, 1990, for claims arising under "claims-made" forms of liability insurance policies contemplating coverage for the "error and ommissions" of the insured;
2. February 18, 1990, for claims arising under "claims-made" forms of liability Insurance policies contemplating coverage other that of the "errors and ommissions" of the insured;
3. November 20, 1990 for claims arising under "occurrence" forms of liability insurance policies,

and all contingent claims filed by insureds, and persons having a cause of action against such insureds, must be fully liquidated, on or before November 20, 1991. Such claims by insured may be allowed if such claim is liquidated and the insured presents evidence of the payment of such claim to the Liquidator on or before such final date, and such claims to the Liquidator on or before such final date, and such claims by persons claiming against such insureds may be allowed if such persons demonstrate to the Liquidator that the proof submitted to the Liquidator upon such claims satisfies the requirements of ILL. REV. STAT., 1987, ch. 73, Par. 821 by such final date.

TAKE FURTHER NOTICE, that all other persons, other than those contemplated in the paragraph above, having, or claiming to have, any accounts, debts, claim or demands against Equity General are required to present and file such claim with the Liquidator on or before 4:30 p.m., C.S.T., on November 20, 1990.

TAKE FURTHER NOTICE, that the form of, and required contents of, all proofs of claim are described in the Illinois Revised Statutes, 1987, Chapter 73, Paragraph 821. Proofs of claim, together with supporting documents, if any are to be filed with , and may be secured from, the Special Deputy Liquidator, Equity General Insurance Company, In Liquidation, 446 East Ontario Street, Suite 700, Chicago, Illinois 60611. Filing shall occur upon the receipt of Proof of Claim by the Liquidator. The information with respect to any claims as he may deem necessary. The Liquidator further reserves any and all defenses available to the company upon all claims. All proofs of Claim must be duly sworn to before an Officer authorized to take oaths.

THE LAST DATES FOR THE FILING OF PROOFS OF CLAINS WITH THE LIQUIDATOR AT HIS ABOVE MENTIONED OFFICE IS SET FORTH ABOVE. NO PERSON HAVING OR CLAIMING TO HAVE ANY CLAIMS AGAINST EQUITY GENERAL INSURNACE COMPANY, SHALL PARTICIPATE IN ANY DISTRIBUTION OF THE ASSETS OF THE COMPANY UNLESS SUCH CLAIMS ARE FILED WITH THE LIQUIDATOR ON OR BEFORE THE ABOVE RESPECTIVE DATES.

James W. Schacht,
Special Deputy Liquidator.

OSHA

Continued from page 1

However, employers, insurers and labor leaders alike say they are optimistic that the 55-year-old Mr. Scannell has the breadth of experience to address each group's concerns as he pilots OSHA through the end of its second decade as the regulator of safety for about 6 million workplaces nationwide.

"We were glad to see that Mr. Scannell was named," said Donna Costlow, associate director of risk management at the National Assn. of Manufacturers in Washington, D.C.

The new administrator has a strong background in safety and health in both private industry and with OSHA, said Tom O'Day, associate vp at the Alliance of American Insurers in Washington, D.C.

Prior to his October confirmation, Mr. Scannell was director of corporate safety/fire/environmental affairs worldwide with Johnson & Johnson Products Inc. of New Brunswick, N.J.

Mr. Scannell worked at OSHA from 1971 to 1979, including stints as: director of the office of federal agency safety and health programs; director of the office of standards; and special assistant to the secretary of labor.

Labor and employee safety advocates also applaud Mr. Scannell's appointment.

"He has brought a lot of energy and a sense of purpose to the agency that has been missing and that it clearly lacked" under John A. Pendergrass, the previous OSHA administrator, said Joseph Kinney, executive director of the National Safe Workplace Institute in Chicago, an independent, nonprofit research and educational group concerned with occupational, health, and safety issues.

Mr. Scannell said he believes top corporate managers are committed to establishing and maintaining safe workplaces but that the strength of that commitment too often gets diluted as it filters down through the ranks.

"Pressures of production," rather than a lack of concern with safety, are to blame, he said.

With the help of business organizations such as the U.S. Chamber of Commerce and the NAM, "we have to get the CEOs to communicate their message of workplace safety throughout the company," Mr. Scannell said.

As Mr. Scannell lays out the agenda for his agency, established by the Occupational Safety and Health Act of 1970, he has at his disposal a $267.1 million budget, up 8.1% from $247.7 million in the fiscal year ended Sept. 30, 1989.

During the 1980s, the agency's budget ranged from $186.4 million to $247.7 million and was cut in 1982 and 1986.

With the additional money, the agency is adding this month 179 inspectors to the 1,079 it employed at the end of fiscal 1989.

Compliance inspections, to ensure that employers are living up to promises to correct safety violations, will be emphasized, said Mr. Scannell, who would not estimate how many more inspections would be conducted by the larger staff.

After increasing by nearly a third from 1987 to 1988, the number of OSHA inspections decreased 6.5% last year to 54,557 from 58,354.

But fewer inspections found more safety, health and record keeping violations: Infractions were up 19.2% last year to 184,620 from 154,884 in 1988. And, violations rose 34.7% in 1988 compared with 1987.

Overall in 1989, only 23.7% of inspected employers were found in compliance, a drop from 31.5% in 1988 and 37.8% in 1987.

Why the decrease in compliance?

"Maybe we are targeting better and getting to those companies that need to be inspected," said Mr. Scannell.

And, since many of the inspections result from a filed complaint, more people may be coming forward and reporting unsafe workplaces, he said.

Mr. Scannell plans to continue the emphasis on employer record keeping that his predecessor introduced, he said.

Reviews of employee health records provide the agency with the information on workplace injuries and illnesses it needs to develop standards and target employers and industries for inspection.

The Labor Department's Bureau of Labor Statistics attributes the recent rise in work-related injuries and illnesses to more accurate record keeping.

In 1988, the last year for which figures are available, the bureau reported that work-related injuries or illnesses among full-time employees increased to 8.6 per 100, or a total of 6.4 million, from 8.3 per 100, or a total of 6 million, in 1987.

The number of lost workday injury cases per 100 full-time employees increased to 4.0 in 1988 from 3.8 in 1987 and 3.6 in 1986.

But, "we don't believe that injuries in the workplace have increased," Mr. Scannell said. "These are injuries that have already been out there but have never been reported before."

Diane Factor, an industrial hygienist with the AFL-CIO in Washington, D.C., agreed that OSHA's increased emphasis on accurate record keeping has resulted in employers reporting injuries that they would not have years ago.

However, the workers compensation system has expanded to cover more types of claims, such as stress-related claims, which results in more injuries being reported, said Michael Camilleri, senior vp and general counsel with the New

Continued on next page

OSHA

Continued from previous page

York-based National Council on Compensation Insurance, which develops advisory rates for workers compensation insurers.

Although no specific plans have been made, Mr. Scannell said he is looking into how OSHA targets companies for inspection so the agency can more effectively spot potentially dangerous situations, like the Phillips Petroleum Co. petrochemical plant in Pasadena, Texas, that exploded in October (*BI*, Oct. 30, 1989).

The plant had no record of serious OSHA violations, he said.

And, to encourage employers to maintain safe workplaces and file accurate reports of injuries and illnesses, the agency will continue to belt flagrant violators with huge fines, another policy established by Mr. Pendergrass in 1987, at a time OSHA was being heavily criticized for proposing fines that paled in comparison to those proposed during the late 1970s (*BI*, Sept. 14, 1987).

Indeed, two of OSHA's 10 largest fines ever—including the largest—have been proposed during the first three months of Mr. Scannell's tenure.

The largest is a $7.3 million fine against USX Corp. in Pittsburgh proposed in November 1989 (*BI*, Nov. 6, 1989).

And in December, OSHA proposed a $3.3 million fine—the agency's fifth-largest ever—against The Budd Co. in Troy, Mich. (*BI*, Dec. 18, 1989).

The other eight of the 10-largest proposed fines came during Mr. Pendergrass's two years as OSHA administrator.

The total amount of proposed penalties increased 27.8% in 1989 to $57.5 million from $45 million in 1988. From 1987 to 1988, total proposed penalties rose 83.7%.

But some labor groups have criticized OSHA for settling with companies that violate safety rules for only a fraction of the proposed fines.

In some cases, Mr. Scannell concedes, fines have been reduced too much. And, any reductions in penalties for some employers are inappropriate, he said.

However, he defends the settlement process as a way to win employer concessions on safety improvements. "Some people will criticize OSHA for negotiating fines, and I accept that. But I can look at them and say, 'Look at what we have gotten in return.' "

For example, the agency announced a settlement last month in which Zinc Corp. of America agreed to pay $614,000 of a $1.9 million proposed fine for alleged violations of federal lead standards at its Palmerton, Pa., plant. When proposed, it had been the 10th-largest OSHA fine ever.

With its fine reduced by more than two-thirds, the company has committed $1 million to correct the violations and implement health and safety programs, according to OSHA.

A Zinc spokesman would only confirm the settlement.

Large fines are a necessary deterrent to companies with unsafe workplaces, but eliminating workplace hazards should be the government's priority when dealing with employers that are not in compliance with safety standards, said the AFL-CIO's Ms. Factor.

"Penalties are not as important as abatement," she said.

OSHA, meanwhile, opposes legislation that would increase the minimum fines it could levy. An amendment stripped from a budget reconciliation bill last fall would have established a range of minimum penalties and would have increased maximum penalties for willful and repeat violations and serious violations.

The agency opposed the amendment saying that the changes, if needed, could be accomplished administratively.

Meanwhile, employer groups are calling for more clearly worded federal safety standards.

"We need more guidelines that are simple to follow," said Wendy Lichner, legislative representative for the National Federation of Independent Business in Washington, D.C.

"It is very hard to know what is expected because we don't have OSHA professionals on hand to help us," Ms. Lichner said.

The NAM's Ms. Costlow said the agency also should better tailor its standards to large or small industry needs.

"OSHA does too much generic rulemaking that doesn't really respond to workplace realities," she said.

For example, one long-awaited standard requires employers to place a lock on a machine's power source so the machine cannot be accidentally turned on while the machine is being repaired.

Under this rule, employers are allowed to place a tag over the machine's power switch if the equipment's power source cannot be locked off or when employers can demonstrate that tagging will provide as much safety as a lock.

The lockout/tagout standard—

'We need more guidelines that are simple to follow,' says Wendy Lichner of the NFIB.

announced this fall after nearly 10 years in the making (*BI*, Sept. 11, 1989)—took effect Jan. 2, after the Labor Department voluntarily delayed its effective date several months in response to employer complaints of insufficient time to prepare for the standard (*BI*, Nov. 13, 1989).

The NAM sued to stop implementation of the standard, contending that employers had inadequate time to review changes in the final standard and that the OSHA analysis of impact on employers was unrealistic.

One manufacturer criticism of the standard is that the agency does not consider a button lock—a switch that cuts off a machine's power source—an appropriate lockout measure.

Many companies have spent thousands of dollars installing button locks that now do not pass OSHA muster, Ms. Costlow said.

A button lock does not sufficiently guard against an employee accidentally turning on and possibly injuring someone servicing a machine, because it does not warn of possible repairs that might be taking place, according to Mr. Scannell.

However, a tag placed over the power switch is a physical barrier warning that a machine is being serviced and should not be used, he said.

He firmly backs the standard, saying that many companies voluntarily used the lockout/tagout methods long before the federal standard was developed.

Some employers also criticize a recent OSHA proposal to protect workers who may be directly exposed to blood, blood products or any other potential infectious body fluids that contain contagious diseases.

Hearings on the proposed standard, unveiled last May, have been held in Washington, D.C., New York, Chicago and Miami. Final hearings are scheduled Tuesday and Wednesday in San Francisco. OSHA hopes to publish the final standard within several months.

The standard would affect an estimated 5.3 million employees at hospitals, blood banks, dental offices and laboratories, OSHA said (*BI*, May 29, 1989).

The American Federation of State & County Municipal Employees petitioned for the blood-borne disease standard in 1986, noted Jordan Barab, health and safety coordinator at AFSCME in Washington, D.C.

Under the proposed standard, employers would be required to:

- Provide employees with a written evaluation of their exposure to infectious diseases and measures for reducing that risk.
- Educate employees on the transmission of diseases, controlling viruses in the workplace and emergency procedures.
- Distribute protective clothing and equipment.
- Disinfect the worksite after contact with blood or other potentially infectious materials and dispose of all materials in leakproof, puncture-resistant containers labeled with warning signs.

But some professional groups, like the American Dental Assn. in Chicago, consider the standard too broad.

It is "a complex standard which includes a multitude of required infection control procedures that may be inappropriate for some health care professions and settings," the association says.

The standard should be redrafted to meet "the different disease incidence rates, level of risk, and particular circumstances of each health care profession," the association says.

For example, the ADA wants the agency to exempt dentistry from many provisions on the grounds that the required procedures "are not scientifically justified nor cost-effective with regard to the dental profession."

Mr. Kinney of the National Safe Workplace Institute, while applauding the proposed blood-borne disease health standard, says OSHA is "just scratching the surface. There is so much more there that needs attention."

For example, he says, the agency should set its sights on developing such health-related standards as proper building ventilation to eliminate "sick building syndrome."

Mr. Kinney says OSHA also should implement safety standards for commercial vehicles, such as seat belts, driver training and air bags.

"For many people, the automobile is their workplace," he said.

Other issues that Mr. Kinney says demand agency attention include improving its monitoring of state-run OSHA programs.

Ms. Factor of the AFL-CIO believes the agency should do more to encourage employee participation in workplace safety.

"If the agency's mission is to prevent killing, illnesses and disease, then the people whose lives are involved should be involved," she said.

Mr. Scannell sees ergonomic disorders—injuries that result from jobs that require repetitive motions—as an upcoming issue for OSHA. These injuries are not restricted to jobs like assembly line work, he said.

"Within every workplace there is a job that requires some kind of ergonomic or repetitive movement," he said.

A resulting severe injury can cost an employer or a workers compensation insurer as much as $25,000 for treatment and rehabilitation to get that employee back on the job, he said.

Mr. Scannell said there is always room for improvement in workplace safety.

Among possible areas for improvement, he said, are: employee input in safety issues; stronger safety requirements where needed, and better communication with business.

"We have to work as a partnership—business, labor, and government," Mr. Scannell said.

And this partnership needs to resolve mutual problems before it gets bogged down by a lack of communication, he said.

To that end, Mr. Scannell said he will appoint as special assistant a liaison between the workplace safety agency and small business and labor groups, another idea developed by Mr. Pendergrass.

Mr. Scannell said hopes to fill the position within a few months.

"We are looking for someone who fits my needs but at the same time can get feedback from business and labor to me more regularly than I can now," Mr. Scannell said. ■

Tobacco suit

Continued from page 2

briefly last week after the first news reports of the decision appeared.

Lawyers for Mr. Cipollone and the tobacco companies named in the case—Liggett, New York-based Philip Morris Inc. and Lorillard Inc., a unit of New York-based Loews Corp.—could not be reached.

Mr. and Mrs. Cipollone sued the three companies in U.S. District Court in Newark before Mrs. Cipollone, a lifelong smoker, died of lung cancer at age 58.

The lawsuit charged the tobacco companies with breach of an "express warranty" in their advertising that smoking was safe and with failing to warn smokers of the health dangers of smoking.

Ads for Liggett's Chesterfield brand appearing in 1952, for example, told smokers, "Play Safe: Smoke Chesterfield."

The suit also leveled a "risk-utility" claim, charging that the risks of smoking outweigh the benefits and that cigarettes are therefore inherently dangerous products, subjecting their manufacturers to strict liability.

U.S. District Judge H. Lee Sarokin, however, dismissed the risk utility claim on a summary judgment motion by the tobacco companies, ruling that it was barred by provisions of the New Jersey Product Liability Act.

Before the case went to trial, the 3rd Circuit appeals court also ruled that the Federal Cigarette Labeling and Advertising Act—which required health warnings in cigarette ads and on cigarette packaging—pre-empted express warranty and failure to warn claims based on smoking after Jan. 1, 1966, when the law went into effect.

This ruling freed Philip Morris and Lorillard from the express warranty and failure to warn claims in the Cipollone case, since Mrs. Cipollone did not begin smoking brands produced by these companies until after 1966.

After a four-month trial, however, the federal jury found that Liggett breached express warranties in ads for brands Mrs. Cipollone smoked before 1966 and awarded Mr. Cipollone $400,000 in damages, the first such defeat suffered by a cigarette maker in more than 300 tobacco liability cases.

While also finding Liggett liable for failing to warn, the jury awarded no damages after concluding that Mrs. Cipollone was 80% responsible for her injuries and Liggett 20% responsible. Under New Jersey law, a plaintiff found more than 50% responsible cannot recover damages.

The three-judge appeals panel reviewed the lower court actions in an 88-page ruling filed Jan. 5, finding several errors by the trial judge.

Among other things, the appellate court reinstated Mr. Cipollone's risk-utility claim against the three tobacco companies, finding that the lower court incorrectly dismissed the charge.

Judge Sarokin had based his ruling on the state's product liability law, which holds that a manufacturer cannot be held liable for a design defect if the inherently dangerous nature of the product is known to an "ordinary consumer or user."

The appeals court, however, found that Judge Sarokin did not have sufficient evidence to find that the inherently dangerous characteristics of cigarettes were known to the "ordinary consumer or user" before 1966, when health warnings became mandatory.

This issue, the appeals court ruled, is a matter for a jury to decide.

Tobacco firms must now prove smokers did not believe ads claiming smoking is safe, Mr. Daynard says.

The appellate judges also threw out the $400,000 award against Liggett on the express warranty claim and the jury's finding of liability on the failure to warn claim, concluding that Judge Sarokin erred in rulings on the evidence the jury could consider.

Liggett's advertisements claiming their cigarettes were safe constituted an express warranty as long as Mrs. Cipollone was aware of the ads and as long as Liggett cannot prove she disbelieved them, the appeals court wrote.

However, the lower court improperly barred Liggett from attempting to prove that Mrs. Cipollone didn't believe the ads, the appeals panel found.

At the same time, the appellate court affirmed a lower court ruling that barred Liggett from making a comparative fault defense on the express warranty claim similar to that used on the failure to warn claim.

"It would have been impossible for Mrs. Cipollone to have known of the dangers of smoking and still have believed enough in Liggett's advertisements for them to constitute a warranty," the judges wrote.

In overturning the jury's finding on the failure to warn claim, the appellate panel ruled that Judge Sarokin improperly allowed the jury to consider certain evidence in deciding that Mrs. Cipollone was 80% at fault for her injuries.

The lower court's mistake resulted from the "skewing effect" of the appeals court's own ruling barring post-1965 failure to warn claims under the federal labeling act, the judges wrote.

Citing the appeals ruling, Judge Sarokin had barred the jury from considering the tobacco companies' post-1965 conduct while at the same time allowing it to consider Mrs. Cipollone's post-1965 smoking in deciding the extent to which she was at fault for her injuries.

The appeals court ruled, however, that in retrying the case, the jury should be not be allowed to consider either side's post-1965 behavior in deciding on comparative fault. The fact of Mrs. Cipollone's smoking after 1965 should only be considered in apportioning damages, the panel concluded.

"Although in some respects the fairest and most natural approach would be to let the jury consider both sides' post-1965 conduct, to the extent that it bears on apportionment of damages, that result would impermissibly impinge on the immunity from suit afforded the cigarette companies by the Labeling Act," the court wrote.

"Still, permitting the defendants to take advantage of Mrs. Cipollone's post-1965 conduct to escape liability altogether, particularly in the face of plaintiff's allegations that defendants engaged in post-1965 conduct designed to reassure smokers, creates an unacceptable imbalance," the appeals court found.

Despite the fact that the ruling throws out the jury's $400,000 award, Mr. Daynard maintained that the court's findings on the express warranty and failure to warn issues represent a victory for plaintiffs by limiting tobacco companies' defenses.

On the express warranty issue, he noted, tobacco companies must now prove that smokers did not believe pre-1966 advertisements claiming smoking is safe.

"That defense and a token will get you on the subway," he said.

The court's ruling on the failure to warn claim, he added, also eliminates one of the cigarette makers' most powerful defenses: that a plaintiff's continued smoking after 1965 mitigates the tobacco companies' liability for injuries from earlier smoking.

While the appeals ruling would allow cigarette makers to use this argument to mitigate damages, it could not be used to avert a liability finding, he said.

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Antonio Cipollone vs. Liggett Group Inc., Philip Morris Inc. and Lorillard Inc.; U.S. Court of Appeals for the 3rd Circuit, No. 88-5732.

GASB rules

Continued from page 2

they occur. In addition, the GASB proposal will require pools to provide a 10-year loss history on their financial statements.

Ms. Monks said GASB, after reviewing hundreds of letters from public entity risk managers, pool directors and accountants, made no changes in the exposure draft of Statement 10.

Jimmy Glisson, risk manager for Tallahassee, Fla., was neither pleased with—nor surprised by—the final GASB regulations.

"We were hoping for some modifications that recognized that government insurance is not the same as insurance for private businesses. Unfortunately, it (GASB) came out as expected," Mr. Glisson said. However, he said the city's finance staff was prepared for the changes and has been "budgeting up front for losses."

According to the final GASB rules, public entities' financial statements after June 15, 1993, must:

- Report an estimated loss expense and liability if it is both probable that an asset has been impaired and the amount of the impairment can be estimated.
- Include liabilities for incurred-but-not-reported claims.

Statement 10 requires that after June 15, public entity risk pools' financial statements must:

- Recognize premiums as revenue over the contract period in proportion to the amount of risk protection provided.
- Ensure that liabilities for unpaid claims costs, including estimates of costs relating to incurred-but-not-reported claims, be accrued in the year in which the event is incurred.
- Disclose a description of the pooling arrangement.
- Provide a basis for estimating unpaid claims and claims adjustment expenses.
- Present a 10-year loss history. ■

COBRA changes

Continued from page 2

allow the first employer to limit coverage to what is being denied by the second employer," said Andy Anderson, a Hewitt Associates consultant in Lincolnshire, Ill.

"There is nothing in the law that appears to allow an employer to limit the COBRA to the pre-existing condition," agreed Mark Wagoner, a Wyatt Co. consultant in San Francisco.

The new rule could mean more generous health benefits for some COBRA beneficiaries than other employees.

"Some beneficiaries could have 100% coverage between the two plans," said Henry Saveth, a principal with A. Foster Higgins & Co. Inc. in New York.

While the amendment is more far-reaching than consultants and employer groups had anticipated, it is not as expansive as a COBRA change Congress rejected in 1988.

Under that proposal, an employee automatically could have kept COBRA coverage after joining a new employer's health care plan, regardless of whether that new plan excluded pre-existing medical conditions.

Meanwhile, benefit consultants are grappling with an apparent discrepancy between the budget bill and its accompanying congressional report involving the length of time COBRA coverage must be provided to the dependents of former employees who subsequently qualify for Medicare benefits.

COBRA coverage for dependents may not be eliminated for at least 36 months after a former employee becomes entitled to Medicare, according to the budget reconciliation law.

However, the conference report says the start of this 36-month COBRA coverage period for dependents—in situations where the employee later receives Medicare—begins when the employee first receives COBRA coverage.

The language in the actual law could apparently allow some dependents to obtain COBRA coverage for longer than 36 months.

For example, assume an employee retired at age 64 and he and his dependents began to receive COBRA coverage. Then, at age 65, the retired employee qualified for Medicare, which would automatically terminate COBRA coverage for the employee. A strict reading of the budget reconciliation law would allow retirees' dependents could to receive COBRA for an additional 36 months, or for a total of 48 months.

Congressional staffers are aware that the COBRA Medicare provisions in the budget reconciliation and the accompanying report do not mesh and will try to clear up the confusion, said Gerald Uslander, a principal with William M. Mercer Meidinger Hansen Inc. in Louisville, Ky.

In the meantime, "It is really frustrating that apparently no one appears to review legislation and the reports for consistency," said John Kelly, a group flex consultant with Wyatt's Boston office.

While it remains to be seen how the conflict between the law and report is resolved, it is unlikely that Congress really intended to extend COBRA coverage beyond 36 months, said Frederick Rumack, director of tax and legal service with Buck Consultants Inc. in New York. ■

E&O award

Continued from page 3

developed cracks.

Under the settlement, Whittaker agreed to repair the cars, maintain them for 2 million miles or 20 years, whichever comes first, and to pay HL&P $3 million.

In addition, Whittaker sought to recover from A&A approximately $2.4 million in additional costs that Whittaker claimed it incurred beginning in 1980 to repair other defective railroad cars.

Whittaker has stopped making the railroad cars and is now an aerospace and biotechnology company.

In the first part of the two-phase trial against the A&A companies, the jury decided Dec. 1 that Whittaker's product liability insurance in effect prior to Nov. 1, 1979, when it switched to A&A, covered Whittaker's cost to repair defective railroad cars. A&A companies were negligent and breached their contract with Whittaker, the jury ruled Jan. 10.

According to Whittaker's suit, its primary layer of occurrence-based liability insurance, including product liability, from November 1974 to June 1977 "did not exclude from coverage damage to the named insured's products arising from such products or any part of such products."

Management Information Services Inc., acquired by A&A Texas in 1979, placed the coverage with Continental Casualty Co., a unit of Chicago-based CNA Financial Corp.

From June 1, 1977, until Oct. 31, 1979, Whittaker's primary layer of product liability insurance was written by Holborn Reinsurance Co., a Colorado-based captive.

The Holborn policy contained an exclusion to Whittaker's product liability coverage for property damage but "excepted from such exclusion 'marine products and railroad cars,' " the suit said.

And, "at all relevant times," Whittaker also had excess product liability insurance policies with limits of $50 million to $100 million, the suit said. Several excess insurers wrote the coverage, according to the suit.

Whittaker's liability insurance broker for most of the 1974-1979 period was Frank B. Hall & Co. Inc.

In mid-1979, A&A Texas and other A&A units advised Whittaker to stop using its captive insurer and obtain primary coverage from an unaffiliated insurer, Whittaker's suit said. A&A also said there were gaps in the excess liability insurance policies placed by Hall, the suit alleges.

A&A recommended placing excess policies to follow the form of the primary layer to provide consistent coverage, the suit said.

Whittaker argued that in a written proposal, A&A "offered to procure for Whittaker 'coverage improvements' and, at the same time, 'improvement in cost reductions.' "

Whittaker accepted A&A's offer because the broker represented itself as best qualified to place Whittaker's coverage, the suit said.

A&A Texas became Whittaker's liability insurance broker on Nov. 1, 1979, and A&A California jointly serviced the account, said Munger, Tolles & Olson.

Among the A&A Texas personnel who reviewed Whittaker's coverage before restructuring it were former MIS employees familiar with Whittaker's CNA policies, the suit alleged.

As a partial replacement for the Holborn policy, A&A Texas placed primary product liability coverage for Nov. 1, 1979, to Nov. 1, 1980, with Insurance Co. of North America, later a subsidiary of Philadelphia-based CIGNA Corp.

Excess policies followed the form of the INA policy.

But unlike Whittaker's previous policies, the original and subsequent INA policies contained a product liability exclusion that did not contain an exception for marine products and railroad cars, the suit said. The suit charged that A&A Texas "failed to bring to the attention of Whittaker this material difference."

Whittaker discovered the difference in 1984 when it sought coverage for its losses from the cracked railroad cars "and in this connection had its insurance policies reviewed by a different insurance broker," the suit said.

In a brief filed in June 1989 requesting summary judgment, A&A argued that Whittaker did not have product liability coverage on its railroad cars because its excess policies in effect prior to November 1979 "each contained an exclusion explicitly denying the coverage."

A&A also argued that Whittaker's suit violated the statute of limitations, because it first became aware of cracked cars in 1980.

The brief said A&A Texas notified Whittaker at that time that it had no coverage for its railroad cars. But Whittaker waited until 1984 to file suit, in an attempt "to fob off to its insurance broker its estimated $25 million liability," A&A argued. ■

Corcoran

Continued from page 1

cies" at the bureau prompted Mr. Regan in December to advise Gov. Cuomo of his investigation, according to the statement.

Those problems allegedly include the disappearance of 9,000 blank checks from a batch of 330,000 checks, says the statement, which summarizes a letter that Mr. Regan sent to the governor in late December.

In addition, the comptroller alleges that $21,000 in Liquidation Bureau checks have been fraudulently cashed since 1986.

Mr. Regan also faulted the Liquidation Bureau for:

- Selecting consultants without requiring bids.
- Failing to adequately monitor consultants' work or billings.
- Hiring unqualified managers.
- Maintaining excessive numbers of bank accounts.

In addition, the comptroller said his staff is researching the process the bureau uses to liquidate insurers because it appears to be excessively long and expensive.

Mr. Regan's allegations stem in part from a review of the Liquidation Bureau by the state Inspector General, an official who investigates alleged wrongdoing in state government. That probe, which the inspector's office said Mr. Corcoran initiated, began in 1987 with a review of Joseph Cortapasso Sr., the bureau's former administration director who allegedly, among other things, used two temporary employment agencies owned by his son (*BI*, Nov. 23, 1987). Mr. Cortapasso subsequently resigned.

That review still is under way. The Insurance Department also is suing Mr. Cortapasso and others to recover more than $1 million, Mr. Corcoran said.

The state attorney general's office is participating in portions of the investigation of the Liquidation Bureau. A spokeswoman for the U.S. Attorney for the Southern District of New York declined to comment on whether that office is involved.

Although the comptroller's office usually does not release the findings of investigations until they are completed, Mr. Regan said he released the preliminary findings because "the problems—some criminal in nature—were so severe, and the fact that there was continuing exposure to loss."

However, Mr. Corcoran charged that Mr. Regan, an elected Republican officeholder, released the information to hurt Gov. Cuomo, a Democrat, and Mr. Corcoran, a Cuomo appointee who someday could run against Mr. Regan.

The terms of both Messrs. Regan and Cuomo expire this fall.

The comptroller fails to understand the complexities of dealing with liquidated companies, Mr. Corcoran said. Mr. Regan's allegations are "replete with inaccuracies, broad irresponsible accusations and inappropriate analogies" that "falsely portray" operations and "demean" the bureau's capable staff, according to Mr. Corcoran's letter to the governor.

In a point-by-point response to the charges, Mr. Corcoran denied that checks were missing, although some were used out of sequence. Auditors apparently did not account for checks "issued out of departments other than the Financial Department, used for bank testing or destroyed by the printer," he said.

Over the years, the bureau has noted a few incidents where checks were stolen or misused, but the banks involved were notified and "no estate has suffered any pecuniary loss" as a result, he wrote. Check custody procedures have been modified, he added.

In addition, the bureau needs more than 500 bank accounts to meet its fiduciary duty to keep separate different types of funds from 59 insurance companies in liquidation as well as 197 fraternal benevolent societies in liquidation, he said.

Most of Mr. Regan's criticism of the selection process for bureau consultants—used for services including legal, accounting and data processing—is "blatantly inaccurate," Mr. Corcoran said.

Consultants, whose fees amounted to $29 million of the bureau's $63 million 1988 budget, are carefully screened and chosen on the basis of their less-than-market-fee bids and their expertise, he said. Once hired, they are carefully monitored, he said.

Mr. Corcoran did acknowledge increasing management controls over an unnamed reinsurance consultant who in 1985 began creating a data processing system for the bureau to bill reinsurers. Mr. Regan said that consultant received almost $15 million "for a project which today is unclear as to its scope and results."

Mr. Corcoran said that the bureau has implemented most of the recommendations from a 1987 internal report by the inspector general "and a few others have been the basis for different but nonetheless substantive reforms."

Both Mr. Corcoran and Thomas Wilson, a named partner at the law firm Mr. Corcoran is joining, denied any connection between the bureau's use of Wilson Elser attorneys for 15 years and Mr. Corcoran's joining the firm.

Of the $14.5 million in legal fees

Mr. Corcoran

Mr. Curiale

paid by the Liquidation Bureau in 1988, Wilson Elser was paid $498,351, the fourth-highest amount received by any law firm.

However, Mr. Corcoran said the firm only handled two new bureau cases in 1988 and one in 1989.

Under terms of his partnership agreement, Mr. Corcoran will never share in any fees generated by legal services performed for the New York Liquidation Bureau.

Mr. Corcoran was appointed insurance superintendent in February 1983. Prior to his appointment, he was vp-government relations for Prudential Insurance Co. of America.

Among other regulatory changes, Mr. Corcoran fostered a flex rating system that caps the amount by which property/casualty insurance rates can rise or fall without department approval. In addition, he oversaw adoption of tighter restraints on financial guarantee insurers as well as life insurance companies' investment in junk bonds.

He also developed measures to demutualize life insurance companies and oversaw recodification of the state's insurance law.

In addition, an Excess Lines Assn. to oversee surplus lines transactions in New York was established during Mr. Corcoran's tenure, pointed out Richard Bouhan, executive director of the National Assn. of Professional Surplus Lines Offices Ltd. in Kansas City, Mo. That joint project between industry and regulators was "a great, positive step forward," Mr. Bouhan said.

Mr. Corcoran was "an activist. . .who spoke out for what he believed in," said Howard Greene, acting governmental affairs director for the Risk & Insurance Management Society Inc. in New York.

The outgoing superintendent was a friend of consumers on some issues, like environmental issues, Mr. Greene said, though RIMS disagreed with Mr. Corcoran's support of flex rating, state authority over risk purchasing groups and a National Assn. of Insurance Commissioners model law to more effectively regulate broker-controlled insurers.

"Mr. Corcoran has continued a New York tradition of excellent superintendents," said Robert Gaines, vp-government affairs for the American Insurance Assn. in New York and New Jersey. He credits Mr. Corcoran with being instrumental in keeping New York's private passenger auto insurance market free from the problems faced in other states and allowing property/casualty insurers investment flexibility.

"Insurance consumers throughout the country benefitted by Superintendent Corcoran's services," said Earl Pomeroy, North Dakota's insurance commissioner and NAIC president.

Mr. Corcoran has headed NAIC subgroups concerned with international issues and represented U.S. interests at several international meetings and discussions in several foreign countries.

However, while Mr. Corcoran's "upfront and sometimes acerbic style was strategically beneficial in New York," it caused him to be disliked by some regulators, especially some from rural states, one observer said.

For instance, Mr. Corcoran was defeated in December 1988 in his bid for the vice presidency of the NAIC, which is the traditional stepping stone to presidency of the organization. Mr. Pomeroy was elected instead.

Mr. Curiale, 44, who was nominated to succeed Mr. Corcoran, was appointed executive director of The State Insurance Fund in 1987.

After working as an attorney for two state agencies, he joined the Insurance Department as as a deputy superintendent in March 1983 and served as first deputy in May 1984 until he joined the competitive state workers compensation fund.

In other commissioner changes around the nation, regulators in Nevada and New Jersey are leaving their posts. Meanwhile, Wyoming has appointed an acting commissioner.

Nevada Commissioner David Gates will voluntarily resign his post in early February.

Mr. Gates, who is the immediate past president of the Kansas City, Mo.-based NAIC, plans to move to that city for personal reasons. He initially plans to act as a data processing and management consultant to state insurance departments.

Mr. Gates served as Nevada's insurance commissioner for 5½ years. He originally joined the Nevada Insurance Department in May 1983 as the division's insurance counsel and hearings officer.

"The computer capability of the NAIC has been revolutionized under the single leadership of David Gates during his tenure as Nevada commissioner," Mr. Pomeroy said.

New Jersey Insurance Commissioner Kenneth Merin, a Republican, is expected to leave office by Tuesday, when James Florio, a Democrat, is sworn in as governor.

Mr. Merin has not announced his career plans, said a spokesman for the state Insurance Department.

Mr. Merin served as insurance commissioner for a total of about four years, from September 1984 to January 1985 and then again from May 1986 to the present.

Successors have not been named in Nevada or New Jersey.

Wyoming Gov. Mike Sullivan appointed Ralph Thomas as acting commissioner to fill the post vacated by Gordon Taylor Jr. (*BI*, Nov. 27, 1989). Mr. Taylor voluntarily resigned in the wake of several Wyoming insurance company insolvencies, including Oxford Indemnity Insurance Co., Mr. Thomas said.

Mr. Thomas served for 17 years as director of the state's Legislative Services Office, which provides staff support to the Wyoming Legislature, before retiring in 1988. ■

Update

EPIC stops writing

Continued from page 2

cancels. The last policy likely will run into early 1991, he said. Capital redistribution plans are being worked out.

EPIC, managed by Berkeley Risk Retention Group Managers Inc. of Chicago, said last year that it expected a total of 200 members and $7 million in premium volume in 1989 (*BI*, April 10, 1989).

High court to hear union case

WASHINGTON—The U.S. Supreme Court will decide whether labor unions involved in job safety supervision can be sued for negligence under state laws.

The court will review a December 1989 Idaho Supreme Court ruling that found the United Steelworkers of America, by agreeing to assist in supervision of job safety at an Idaho silver mine, could be held liable for negligent acts under state law. The Idaho court also ruled that personal injury claims against the union that were made under Idaho law are not pre-empted by federal law, which limits a union's exposure to liability while representing its members.

The case involves a 1972 fire at Sunshine Mining Co.'s Kellogg, Idaho, mine in which 91 workers were killed. Their survivors are seeking damages from the union. If the Idaho ruling is upheld, then a trial court will determine whether the union was negligent, said plaintiffs' attorney Kenneth Howard of Howard & Owens P.A. in Coeur D'Alene, Idaho.

French seek 'no snow' cover

PARIS—The French ski industry is awaiting a determination by government ministers on whether a lack of snowfall in the French Alps this season is a natural disaster that triggers coverage for loss of earnings under their property policies.

France's 1982 Law on Natural Catastrophes requires property insurers to cover loss of earnings due to natural disasters. But, the coverage, which is reinsured with government-owned Caisse Centrale de Reassurances, is triggered only when two government ministers declare a natural catastrophe (*BI*, March 28, 1983).

The national association of ski lift companies, Syndicat National des Telepheriques et Teleskis de France, appealed to the government ministers at the Tourism, Transport and Budget departments for declarations that the lack of snow is a natural disaster. The tourism minister is expected to tour the resort region this week.

If it is determined that the lack of snowfall constitutes a disaster, then other ski-related businesses also are expected to seek coverage.

The slopes are without much snow for the third consecutive year. Only 640 of 4,000 ski lifts are operating, an SNTF spokesman said.

However, French insurance officials say a lack of snow does not constitute a natural disaster, like an earthquake or hurricane.

License revocation set aside

BOSTON—A Fund American Cos. Inc. property/casualty insurance unit can write business in Massachusetts pending a state Superior Court ruling on whether the unit is violating a 1987 agreement between its parent company and the state Insurance Department, the state Supreme Court ruled last week.

Under a November 1987 agreement with the Insurance Department, Fund American—then named Fireman's Fund Corp.—was allowed to withdraw from Massachusetts. Fireman's Fund sought to withdraw due to losses in the state's assigned risk automobile pool (*BI*, Oct. 17, 1988; Nov. 23, 1987).

But, Fireman's Fund re-entered the state in September 1988 when it purchased Lisle, Ill.-based Warner Insurance Co., which is licensed to write in the state but does not write auto insurance.

Warner's license was revoked in October 1988 by then-Insurance Commissioner Roger M. Singer, who said the 1987 agreement forbids any Fireman's Fund unit from operating in the state.

But the state's high court ruled last week that Massachusetts' insurance statutes do not allow the commissioner "to make a binding interpretation of a contract to which he is party or to determine conclusively whether the other party has violated the contract." Such decisions "lie within the specialized expertise of courts."

Briefly noted

The U.S. Supreme Court last week let stand a 5th U.S. Circuit Court of Appeals decision overturning a $9.4 million jury award against **Soldier of Fortune Magazine Inc.** A Houston jury had awarded the damages to the family of a woman murdered by a mercenary her husband hired through a classified ad the magazine ran in 1984. . . .The U.S. Supreme Court refused to review an appeal by Stamford, Conn.-based **Playtex Inc.** of a Kansas Supreme Court ruling that prevented the company from using liability insurance to pay a $10 million punitive damage award (*BI*, Sept. 4, 1989). . . .Temple, Texas-based laminate manufacturer Ralph Wilson Plastic Co. reached an undisclosed settlement last week in litigation stemming from the 1986 New Year's Eve fire at the **San Juan Dupont Plaza hotel**, which killed 97 people and injured more than 100 others. Settlements with other defendants total more than $150 million. . . .The U.S. Environmental Protection Agency and the New York attorney general are threatening to fine and sue **Exxon Corp.** unless Exxon admits liability for damage caused when 500,000 gallons of heating oil leaked from one of its pipelines into an estuary separating New York and New Jersey. . . .**Maxicare Health Plans Inc.** has filed the reorganization plan it proposed in a filing with the Securities and Exchange Commission in October (*BI*, Oct. 30, 1989). . . .The U.S. Justice Department has dropped its criminal investigation into charges that **A.H. Robins Co.** concealed the dangers of its Dalkon Shield intrauterine device. . . .**Eastman Kodak Co.** has instituted a program that would provide its 80,000 U.S. employees with health and life insurance coverage for up to a year, job placement assistance and a retraining allowance of up to $5,000 if they lose their jobs after a takeover. . . .Widespread freezing rain and ice in late December—designated Catastrophe No. 24—caused an estimated $500 million in **insured property damage**, reported the Rahway, N.J.-based Property Claims Services Division of American Insurance Services Group.

Cleanup ruling

Continued from page 1

state supreme courts are poised to review this issue: California, Minnesota, New Hampshire, New Jersey and New York.

Policyholder attorneys are predicting that the Washington Supreme Court decision will be very influential as these state supreme courts prepare to address the issue.

"The state supreme courts look to each other," said Mr. Greaney of Covington & Burling. This "decision will be influential to other state supreme courts."

The Washington Supreme Court ruling provides "a compelling list of reasons rejecting insurer arguments," Mr. Sayler said.

Because the reasoning used by the Washington Supreme Court is applicable in many states, "the decision should have substantial precedential power throughout the country," Mr. Sayler predicted.

"The tide has not only turned in favor of policyholders, but a flood has started," said policyholder attorney Eugene Anderson of Anderson, Kill, Olick & Oshinsky in New York.

Mr. Anderson said the Washington decision is indicative of how future state supreme courts will rule on this issue.

However, insurer attorneys are playing down the significance of the ruling.

The Washington court only ruled on one clause in the CGL policy, insurer attorneys point out. Many other issues must be determined before the policyholders in the case at issue before the Washington high court actually can tap their policies.

The Washington court was interpreting standard CGL policy language that states insurers "will pay on behalf of the insured all sums which the insured shall become legally obligated to pay as damages because of bodily injury or property damage to which this policy applies, caused by an occurrence. . . ."

The court determined that "damages" include the cost of responding to a government order to clean up a polluted site.

"The 'damages' issue was only one of many coverage issues in the case, and the Supreme Court's ruling by no means determines there is insurance coverage," explained Robert Israel of Lane, Powell, Moss & Miller in Seattle, who represented Lloyd's of London syndicates and North River Insurance Co., a unit of Crum & Forster Inc.

Ultimately, there could be a ruling that "there is no insurance coverage for the toxic waste cleanup costs being sought," he said. For instance, a court could rule that the policyholders intended to pollute the land, which would bar coverage.

Mr. Israel also noted there is a good possibility that insurers will ask the Washington Supreme Court to reconsider its ruling, though no such decision had been made as of last week.

And, there is a possibility that insurers could ask the U.S. Supreme Court to review the decision. However, such review is unlikely since federal issues are not raised in the litigation.

Insurer attorneys also played down the significance of the Washington Supreme Court's influential power with other state supreme courts, noting that Chief Justice Keith M. Callow wrote the dissent.

"The legal analysis of Chief Justice Callow's dissenting opinion is the correct one," Mr. Israel said.

"I expect we will see mixed results from the state supreme courts," said Steven Brock, an attorney will Rivkin, Radler, Dunne & Bayh in Uniondale, N.Y., who represented Hartford Accident & Indemnity Co. in the litigation.

The Washington Supreme Court ruling came in a case involving the consolidation of five lawsuits pending in the U.S. District Court for the Western District of Washington.

Policyholders in the five cases are: The Boeing Co., Northwest Steel Rolling Mills Inc., RSR Corp., John Fluke Manufacturing Co. Inc. and Davis Walker Corp.

The five policyholders—all of which contributed to pollution at a Kent, Wash., waste site—were ordered to clean up the site by the federal government under the Comprehensive Environmental Response, Conservation and Liability Act, better known as the Superfund Act.

Boeing was identified as the major polluter.

Costs of cleaning the site have been estimated at more than $100 million, and Boeing's share of the cleanup costs are estimated at $78 million.

The policyholders are litigating with 23 insurance companies for coverage of these cleanup costs. Among the lead insurers are Hartford, Aetna Casualty & Surety Co., Continental Insurance Co. and several Lloyd's of London syndicates.

The federal court asked the Washington Supreme Court to decide whether state law considers the cost of responding to a government cleanup order insurable damages.

The high court ruled 7-2 they did.

"Response costs to remedy the actual release of hazardous wastes are 'damages' within the meaning of the CGL coverage clauses at issue," the court ruled.

Insurers had argued that the term 'damages' should be given a technical, legal definition restricted to sums awarded by a court of law.

However, the court noted that the term "damages" is not defined in the CGL policy.

"Undefined terms in an insurance contract must be given their plain, ordinary and popular meaning," the court explained.

"The plain, ordinary meaning of damages as defined by the dictionary defeats the insurers' argument," the court said in its 20-page ruling.

"Standard dictionaries uniformly define the word 'damages' inclusively without making any distinction between sums awarded on a 'legal' or 'equitable' claim," the court said.

Next, the court noted that the relevant clause "is sandwiched into the general coverage provisions of policyholders' insurance contracts."

"This is an odd place to look for exclusions of coverage," the court said.

The court also noted that "numerous federal and sister-state decisions agree that 'damages' include cleanup costs."

The court was especially persuaded by the reasoning of the California Court of Appeals decision in *Aerojet-General Corp. vs. San Mateo County Superior Court* (*BI*, May 1, 1989).

"We agree with the majority of cases across the country that the plain meaning of 'damages' does not distinguish between sums awarded on a 'legal' or 'equitable' basis and that the plain meaning of damages may include cleanup costs to the extent that those costs are incurred because of property damage."

In its decision, the court criticized the 8th and 4th Circuits' rulings that response costs are not insurable damages.

Both the 8th Circuit and 4th Circuit expressed concern that a finding that cleanup costs are insurable would force insurers to pay for a variety of preventive measures.

The Washington Supreme Court criticized this conclusion, noting that the term "damages" is part of a broader clause in the CGL policy that includes the phrase "because of property damage."

Thus, insurers are responsible only for cleanup costs that result from actual property damage, the Washington court explained.

In his 29-page dissenting opinion, Chief Justice Callow expressed his opinion that response costs under CERCLA are restitutionary in nature and therefore are not insurable.

"Standard dictionaries definitions of 'damages' do establish that the 'plain, ordinary and popular meaning' of 'damages' is reparation for detriment or injury sustained. Because CERCLA response costs are not reparation for injury sustained, they do not fall within the plain, ordinary and popular meaning of damages," Chief Justice Callow said.

"The majority's contrary holding upsets settled rules of insurance construction, violates controlling precedent and contravenes public policy," Justice Callow said.

Justice James Dolliver joined in the dissent.

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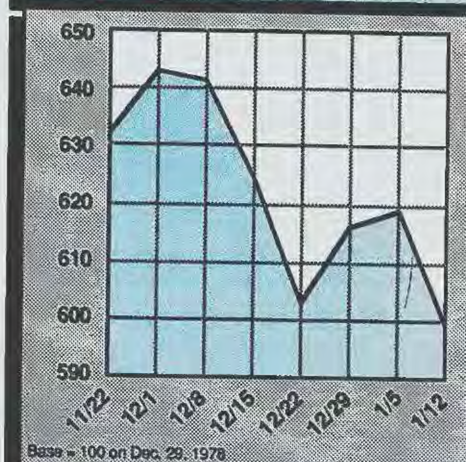
The Boeing Co. vs. Aetna Casualty & Surety Co., et al; Supreme Court of Washington, No. 55700-4.

BI Insurance Index



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

Insurance industry stocks fell last week, a the *Business Insurance Index* plunged 19. points to 599.5 on Jan. 12, from 619.4 on Jan 5. Advancing issues were led by United Medi cal Corp., up 10.4%; American Heritage Lif Insurance Co., up 7.2%; and Fremont Genera Corp., up 5.6%. Decliners followed Statesman Group Inc., down 11.4%; SAFECO Corp., dow 11.01%; and Hilb, Rogal & Hamilton Co., dow 10.96%. The most active issue for the wee was Sears, Roebuck & Co. (Allstate), 4.5 mil lion shares traded. The *BI* Index lost 3.2% fo the period; the Standard & Poor's 500 fel 3.4%; the New York Stock Exchange Compo site dropped 3.3%; and the Dow Jones 30 In dustrials lost 3.2%.

British Issues

Jan. 11 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence pence
Comml Union	498	27.7	29.3	5.9	503—498
Genl Accident	1158	16.5	68.0	5.9	1178—1158
Gdn Royal Exch	247	19.4	15.7	6.2	255—247
Royal	538	25.9	34.0	6.3	548—538
Sun Alliance	321	11.1	17.0	5.3	335-321
Brokers					
Bradstock	230	16.2	10.0	4.3	230—230
CE Heath	535	15.1	34.5	6.5	537—535
Hogg Robinson	180	12.6	9.7	5.3	182—180
Lloyd Thompson	278	18.5	9.3	3.4	278—278
PWS Holdings	55	14.9	2.7	4.8	55—43
Sedgwick Grp	300	22.2	16.0	5.3	310—300
Steel Brrl Jones	289	18.1	15.3	5.3	289—288
Willis Faber	282	19.9	15.3	5.4	283—272

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

JAN. 12, 1990 — 1/8/1990 THROUGH 1/12/1990

		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	29.38	-1.67	26.34	34.00	22.63	637	1.00	3.40	18	9.18	3.20
Corroon & Black	NYS	36.38	-6.13	14.57	41.00	30.00	110	1.24	3.41	17	12.73	2.86
Gallagher Arthur J. & Co.	NYS	24.25	-1.52	42.65	26.50	15.88	50	0.52	2.14	17	5.33	4.55
Frank B. Hall	NYS	3.00	0.00	0.00	4.63	2.50	56	0.00	0.00	-1	-2.80	-1.07
Hilb, Rogal & Hamilton	OTC	16.25	-10.96	17.23	25.75	13.50	47	0.32	1.97	14	4.60	3.53
Marsh & McLennan	NYS	75.88	1.17	36.71	89.75	55.00	776	2.48	3.27	19	10.56	7.19
Poe & Associates	OTC	12.75	0.00	45.71	12.75	0.00	10	0.40	3.14	12	1.89	8.92
BROKERS	AVERAGE		-2.7	26.2					2.5	14		
CONGLOMERATES & HOLDING COMPANIES												
Berkley W.R. Corp.	OTC	39.75	-5.07	34.18	46.50	29.25	202	0.40	1.01	9	25.06	1.59
Berkshire Hathaway Inc.	NYS	8200.00	-4.93	76.34	8900.00	4625.00	1	0.00	0.00	-29	2869.00	2.86
ITT (Hartford Group)	NYS	55.63	-3.47	10.97	64.50	49.75	2139	1.60	2.88	9	56.33	0.99
Sears (Allstate)	NYS	38.00	-2.88	-5.88	48.13	36.50	4495	2.00	5.26	13	37.75	1.01
CONGLOMERATES	AVERAGE		-4.1	28.9					2.3	0		
INSURERS/REINSURERS												
Aetna Life & Casualty	NYS	55.00	-4.35	17.33	62.50	46.63	1079	2.76	5.02	9	58.11	0.95
Ambase Corp.	NYS	10.88	-6.45	-2.25	16.38	10.25	252	0.20	1.84	4	29.08	0.37
American General	NYS	31.75	-3.05	5.83	38.50	29.5	1278	1.48	4.66	10	34.68	0.92
American Heritage	NYS	31.75	7.17	24.51	31.75	25.00	5	1.20	3.78	12	22.60	1.40
American Indemnity/Fin'l	OTC	7.75	-6.06	-26.19	13.00	7.50	5	0.56	7.23	-5	17.38	0.45
American International	NYS	96.75	-3.97	45.22	112.00	66.25	1290	0.48	0.50	12	41.92	2.31
Aon Corp.	NYS	39.25	-3.68	42.08	43.25	27.00	447	1.40	3.57	11	19.62	2.00
Argonaut Group	OTC	65.00	-7.80	49.43	69.50	43.25	133	1.00	1.54	8	36.83	1.76
AVEMCO Corp.	NYS	23.75	-3.06	-7.32	27.50	20.38	13	0.40	1.68	14	9.52	2.49
Baldwin & Lyons Inc.	OTC	23.00	2.22	58.62	24.00	14.38	15	0.28	1.22	7	20.80	1.11
Belvedere Corp.	ASE	4.88	-2.50	8.33	6.50	4.25	2	0.04	0.82	15	8.03	0.61
Chandler Insurance	OTC	11.63	0.00	55.00	13.25	7.00	37	0.00	0.00	6	9.53	1.22
Chubb Corp.	NYS	94.50	-0.79	63.64	99.50	57.63	1090	2.32	2.46	10	55.49	1.70
CIGNA Corp.	NYS	55.63	-6.51	20.27	66.75	45.88	965	2.96	5.32	11	66.64	0.83
CNA Financial Corp.	NYS	91.25	-5.32	55.32	108.75	57.63	165	0.00	0.00	8	54.87	1.66
Continental Corp.	NYS	31.00	-0.80	-3.13	38.63	31.00	565	2.60	8.39	63	41.36	0.75
Durham Corp.	OTC	31.50	3.70	-1.56	34.75	29.00	5	0.92	2.92	20	26.32	1.20
Fireman's Fund	NYS	34.88	-2.11	19.74	40.75	28.75	389	0.60	1.72	13	32.74	1.07
Fremont General Corp.	OTC	21.38	5.56	71.00	21.38	12.13	361	0.80	3.74	19	19.09	1.12
Frontier Insurance Group	NYS	17.50	-4.11	57.16	21.75	10.75	14	0.00	0.00	9	7.29	2.40
General RE Corp.	NYS	84.75	-1.74	54.09	96.25	54.38	1199	1.36	1.60	14	29.04	2.92
Hanover InSurance Co.	OTC	30.50	1.67	15.09	33.00	25.75	181	0.44	1.44	7	32.03	0.95
Harleysville Groep	OTC	26.50	-3.64	49.30	28.75	17.50	30	0.60	2.26	9	18.94	1.40
Hartford Steam Boiler	OTC	55.38	1.61	49.66	59.25	34.75	199	1.60	2.89	15	18.94	2.92
Kansas City Life Ins.	OTC	35.50	0.00	3.65	36.00	32.75	7	1.04	2.93	19	39.22	0.91
Kemper Corp.	NYS	45.88	-8.02	95.21	51.88	22.75	296	0.84	1.83	10	29.97	1.53
Lawrence Insurance Group	ASE	7.00	-3.45	-12.50	8.50	6.63	3	0.28	4.00	15	3.29	2.13
Liberty Corp.	NYS	44.00	1.73	20.96	45.00	32.50	114	0.80	1.82	18	31.82	1.38
Lincoln0National	NYS	56.25	-4.26	30.06	62.88	42.75	157	2.60	4.62	10	49.19	1.14
NAC Re Corp.	OTC	36.75	-2.65	77.84	41.00	20.38	270	0.20	0.54	16	22.81	1.60
Navigators Group	OTC	27.75	0.91	35.37	28.25	20.00	16	0.00	0.00	10	15.22	1.82
Nobel Insurance LTD.	OTC	1.88	-6.25	-59.46	5.00	1.50	10	0.00	0.00	0	7.76	0.24
NWNL Companies	OTC	41.38	2.48	34.55	44.13	26.88	358	1.20	2.90	10	37.50	1.10
Ohio Casualty Corp.	OTC	47.13	-0.26	31.82	52.50	35.00	235	2.08	4.41	7	33.30	1.42
Old Republic Int'l	OTC	25.00	-1.96	9.96	30.38	22.63	341	0.72	2.88	13	30.70	0.81
Orion Capital Corp.	NYS	22.13	-7.81	38.28	28.50	14.38	29	0.84	3.80	6	19.72	1.12
Phoenix RE Corp.	OTC	12.75	-6.42	30.77	15.50	8.75	26	0.20	1.57	10	12.99	0.98
Protective Life Corp.	OTC	13.88	-3.48	4.72	16.25	0.00	29	0.68	4.90	26	14.54	0.95
Provident Life	OTC	24.25	-3.48	25.16	30.13	18.63	169	0.80	3.30	8	23.24	1.04
Re Capital Corp.	ASE	14.50	-3.33	56.76	14.88	0.00	15	0.00	0.00	13	12.60	1.15
RLI Insurance Corp.	NYS	8.75	0.00	14.75	9.50	6.88	10	0.40	4.57	8	10.71	0.82
St. Paul Companies	OTC	59.50	-2.86	38.37	63.50	43.00	980	2.20	3.70	8	43.47	1.37
SAFECO Corp.	OTC	37.38	-11.01	59.89	39.75	23.13	1617	1.20	3.21	9	24.87	1.50
SCOR U.S. Corp.	NYS	13.63	-3.54	57.97	14.50	7.50	99	0.40	2.94	14	10.61	1.28
Seibels Bruce Group	OTC	10.63	-1.16	-5.56	13.63	10.25	54	0.80	7.53	-51	13.75	0.77
Selective Ins. Group	OTC	19.00	-2.56	-17.39	20.00	14.50	590	0.96	5.05	6	15.72	1.21
Statesman Group Inc.	OTC	2.44	-11.35	-15.20	3.63	1.88	ø0	0.16	6.56	6	4.19	0.58
Tokio Marine & Fire	OTC	69.50	-6.71	-24.25	95.50	66.00	15	0.92	1.32	29	70.93	0.98
Torchmark Corp.	NYS	51.75	-6.33	69.67	58.75	30.00	243	1.40	2.71	14	13.23	3.91
Transamerica	NYS	42.00	-2.89	25.84	48.00	32.75	393	1.92	4.57	10	34.63	1.21
Trenwick Group Inc.	OTC	23.50	-1.05	64.91	26.88	13.50	123	0.36	1.53	11	16.91	1.39
United Fire & Casualty	OTC	33.25	1.14	9.02	34.50	29.00	5	1.20	3.61	9	22.56	1.47
USF&G Corp.	NYS	29.13	-1.27	0.43	34.00	28.25	878	2.80	9.61	46	22.87	1.27
UNUM Corp.	NYS	48.88	-2.01	82.71	49.00	26.38	1236	0.60	1.23	13	31.20	1.57
USLIFE Corp.	NYS	41.88	-6.16	21.82	48.13	33.13	83	1.48	3.53	9	54.34	0.77
Washington National	NYS	26.63	-6.58	0.00	29.13	24.00	42	1.08	4.06	-	32.90	0.81
Zenith National Ins.	NYS	18.00	-3.36	2.13	21.50	16.75	23	0.84	4.67	8	13.81	1.30
INSURERS/REINSURERS	AVERAGE		-2.8	26.8					3.1	11.2		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	OTC	19.50	-10.86	65.96	26.38	5.88	695	0.00	0.00	18	3.54	5.51
HMO America Inc.	OTC	7.25	-10.77	672.92	10.63	0.94	66	0.00	0.00	-32	1.12	6.47
Pacificare Health Sys.	OTC	24.00	-9.43	92.00	30.38	6.00	136	0.00	0.00	25	6.35	3.78
Safeguard Health Enter.	OTC	7.63	-7.58	41.86	12.50	4.75	156	0.00	0.00	12	2.99	2.55
Sierra Health Services	ASE	8.38	-1.47	415.38	9.63	1.38	113	0.00	0.00	-9	0.62	13.51
United Healthcare Corp.	OTC	10.38	-8.79	144.12	12.63	3.88	520	0.00	0.00	21	0.34	30.51
United Medical Corp.	ASE	6.63	10.42	23.26	7.25	5.00	21	0.00	0.00	22	5.70	1.16
U.S. Healthcare	OTC	13.38	-1.83	137.78	15.50	5.25	1136	0.20	1.50	32	3.07	4.36
HMOs	AVERAGE		-5.0	199.2					0.2	11		
ALL COMPANIES	AVERAGE		-2.6	24.3					2.6	9.7		

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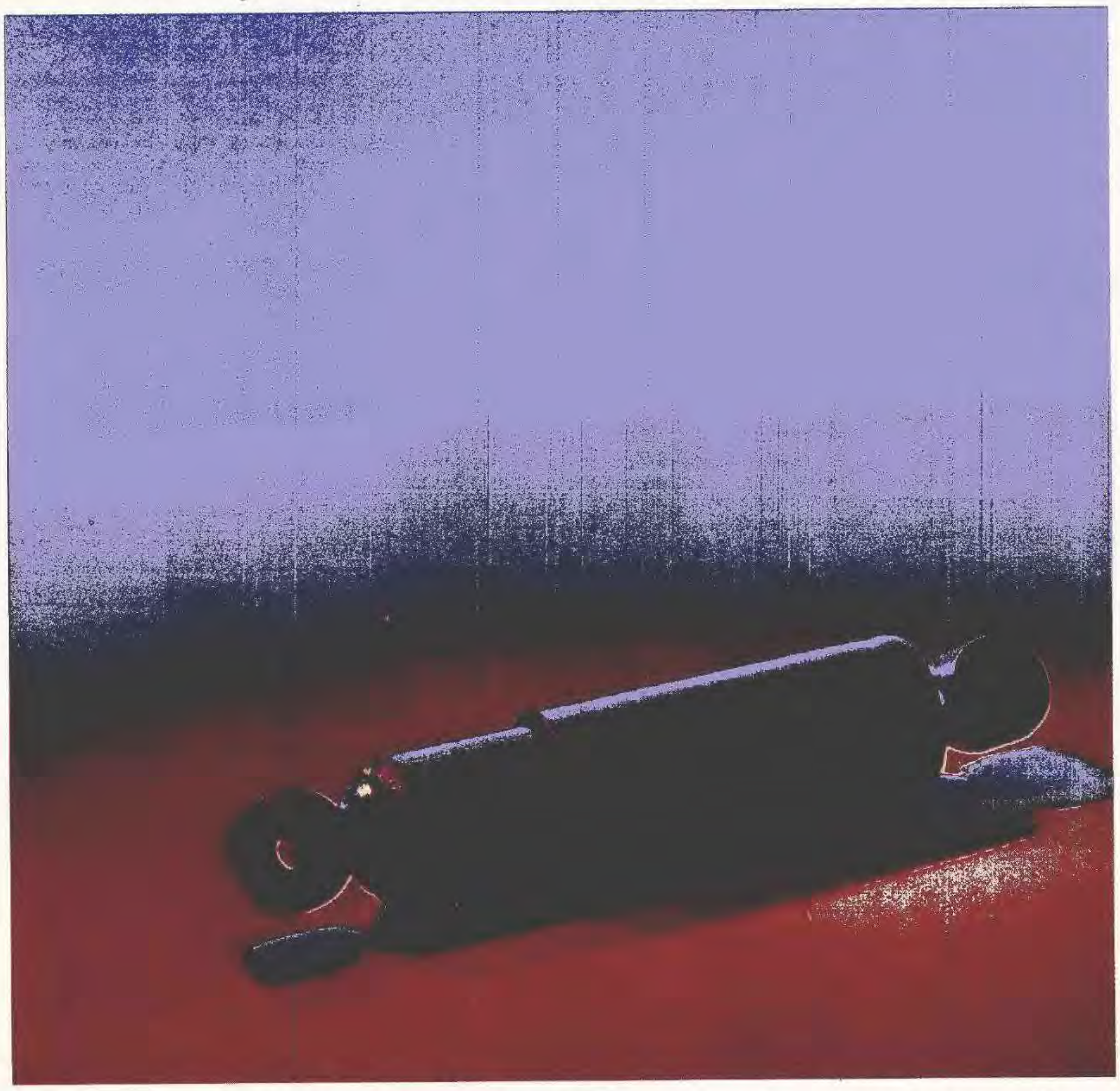

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