

# Business Insurance

Reporting Weekly For Corporate Risk, Employee Benefit and Financial Executives / \$4

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## Judge hits Du Pont with fines, sanctions in Benlate case

KONA, Hawaii—E.I. du Pont de Nemours & Co. Inc. will appeal a Hawaii state court judge's assessment of a \$1.5 million fine and sanctions for withholding damaging documentation from a pair of plaintiffs currently suing Du Pont over its Benlate DF fungicide.

Hawaii State Court Judge Ronald Ibarra last week hit the company with the fine, which is payable to the state, and said he would instruct jurors when they begin deliberations—probably today—to consider the fact that at least twice during discovery Du

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# Insured quake losses likely to grow

By KATE TILLEY  
and STACY SHAPIRO

TOKYO—Although no price tag can be put on the human tragedy in what was the vibrant Japanese city of Kobe, the financial impact of property damage and business disruption from Japan's worst earthquake since 1923 continues to escalate.

Insurers, brokers and financial markets last week downplayed the impact of the quake in the heavily populated Kansai region, which loosely includes Kobe, Osaka and Kyoto.

Many believe that insured losses will be less than those from the \$10.4 billion Northridge quake, which occurred exactly one year before the Japanese disaster, because very little property earthquake coverage is bought by Japanese homeowners or businesses. As a result, much of the loss will be borne by individuals and the Japanese government.

The quake, which measured 7.2 on the Richter scale, caught the Japanese off guard, despite annual drills for earthquake disasters and the keen awareness of this major threat. The temblor struck at 5:46 a.m. on Jan. 17—the one-year anniversary of the Northridge earthquake.



Bermuda reinsurers may be relatively unscathed...Page 29

Major losses loom in rich industrial region...Page 30

In New York and Tokyo, a non-event for insurer stocks...Page 31



AP/WIDE WORLD

Early estimates indicated that the insured loss could be only 10%, or \$5 billion, of the total economic damage to the region, which could exceed \$50 billion.

However, many factors could boost insurers' losses:

- Marine and cargo losses could be substantial in Kobe, one of Japan's largest ports, where two island shipping terminals valued at

more than \$8 billion were damaged. One crane of the many that fell in the port area was insured for \$40 million. Marine policies usually cover quake damage.

- Even though earthquake damage is excluded from standard property policies, massive fires after the quake could be construed as covered if the fires occurred much later than the original quake.

- Business interruption losses

may rise worldwide if companies cannot get materials from their suppliers in the Kobe region. Kobe is a major industrial area, providing 25% of Japan's steel output, as well as home to major rubber factories and electronic companies.

One leading Lloyd's of London catastrophe underwriter summed up the quake loss this way: "Earthquake is the one loss which I'm always nervous about. You usually get a feedback initially

from clients that doesn't seem too bad, whether it's in the U.S. or Japan or Australia, and then it progressively rises. . . . It is unwise for a person to estimate the insured loss for any disaster, but particularly an earthquake."

The massive loss of life, however, indicates that there was serious structural damage in the region, the underwriter noted. Late last week, there were more than 4,015 dead, 587 missing and 21,636 homeless. An estimated 30,000 buildings are destroyed or badly damaged.

"That is a considerable loss of life which I don't like to hear, because it means a considerable amount of structural damage," said the Lloyd's underwriter.

Indeed, even though Standard & Poor's Insurance Rating Services in New York said last week that Japanese non-life insurers would not be "significantly hurt" by the quake, the rating agency cautioned: "Preliminary loss estimates may seriously understate ultimate losses."

S&P noted that losses from the Northridge quake now total between five and six times that of early estimates because hidden

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## Republican challenge to state's health law

By ROBERTO CENICEROS

OLYMPIA, Wash.—With a July 1 implementation date bearing down and fading hopes of obtaining an ERISA waiver from Congress, Washington state lawmakers are scrambling to pare down a 1993 health care reform law once touted by Hillary Rodham Clinton as a model for the nation.

Employers fault the law, which will require them to provide a "certified health plan" to employees and dependents, as requiring overly generous benefits and overly complex administration (BI, April 12, 1993).

Now, with a new Republican majority in the state's House of Representatives, supporters of the original reform law are taking a step back and recommending employer incentives instead of a mandate.

But state Republicans are taking the offensive. A group of Re-

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## Court considers plan amendment

By DAVE LENCKUS

WASHINGTON—In a case with huge financial implications for many health plan sponsors, the U.S. Supreme Court is grappling with the notion that the amendment procedure spelled out in federal benefits law is unclear and applies to only some employers.

During oral arguments before the high court last week, Justice David Souter largely focused on trying to square the language of the provision in the benefits law with Curtiss-Wright Corp.'s argument that it requires plan sponsors only to notify plan participants of benefit changes.

Five hundred retirees whose health coverage was terminated by the Lyndhurst, N.J.-based defense contractor in 1983 argue that section 402(b)(3) of the Employee Retirement Income Security Act of 1974 is much more than an information requirement. They say—and two federal courts have agreed—that it directs plan sponsors to identify in plan documents who at the company is authorized to amend plans and the procedures they must follow.

Section 402(b)(3) states that every employee benefit plan must "provide a procedure for amending such plan, and for identifying the persons who have authority to amend the plan."

The retirees' attorney fielded questions from the justices that largely focused on how the retirees were harmed by Curtiss-Wright's interpretation of

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## State surcharges meet resistance

By JERRY GEISEL

WASHINGTON—State surcharges on hospital bills may simply be impermissible regulation in disguise, a U.S. Supreme Court justice suggested last week.

Justice Antonin Scalia suggested there would be no argument that the state of New York lacks the authority to force everyone to buy health coverage from Blue Cross & Blue Shield-affiliated plans.

But exempting Blues plans from a 13% surcharge on the hospital bills of patients covered by self-insured plans and plans sold by other insurers may have the same effect as a state requirement to buy coverage solely from the Blues, Justice Scalia said.

New York doesn't say you have to go to the Blues, "but if you don't, you pay an exorbitant amount on certain health care plans," he said.

A state doesn't have to bar employers from self-insuring or buying coverage from providers other than the Blues. But by imposing surcharges, the effect may be the same because the plans become "prohibitively expensive," Justice Scalia said. "Isn't this regulation in disguise? It sounds like regulation to me."

Justice Scalia's remarks came in Supreme Court oral arguments in a case that could have an enormous effect on the cost of employers' health plans.

For years, employers have battled state laws that impose surcharges on hospital bills. They argue that such laws make them effectively pay twice for

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## Updates

### Du Pont fined \$1.5 million

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Pont intentionally withheld potentially damaging data from plaintiffs' lawyers. Judge Ibarra also lifted all protective orders on Du Pont documents that do not contain trade secrets and ordered the company to pay all expenses related to the discovery dispute.

"Du Pont is shocked by the court's award of sanctions. Du Pont has never in this litigation intentionally failed to comply with a court order or plaintiffs' request to produce documents," the chemical company said. The sanctions "unfairly punish Du Pont and create an impression of non-compliance, which is not justified."

An attorney with cases pending against Du Pont predicted the jury instructions will hurt Du Pont's defense in this case, in which two Hawaii growers seek more than \$62 million (BI, Dec. 12, 1994).

### Reinsurer suing advisers

LONDON—The trial begins today and is expected to last six months in one of the largest U.K. negligence suits ever against professional firms.

Nederlandse Reassurantie Groep Holding N.V. is seeking to recover £375 million (\$588.9 million) in damages and interest from Swiss Bank Corp., Ernst & Young L.L.P. and London actuarial firm Bacon & Woodrow.

The Amsterdam, Netherlands-based reinsurer, a unit of Internationale Nederlanden Groep N.V., claims it was poorly advised by the three firms when it bought Victory Reinsurance Co. Ltd. and three associated companies from Legal & General Group P.L.C. for £122 million (\$191.6 million) in July 1990. Victory is now in runoff.

NRG claims that Bacon & Woodrow and Ernst & Young "failed to establish the risk of a huge shortfall," estimated now to be more than £250 million (\$392.6 million), mainly due to Victory's heavy exposure to catastrophe losses through its participation in the London market excess-of-loss spiral. Swiss Bank introduced the deal to NRG and was retained as adviser during the deal.

### Michigan Blues settle charges

DETROIT—Blue Cross & Blue Shield of Michigan has paid \$24 million to the federal government to settle charges that it violated federal law requiring employers and their insurers—not Medicare—to pay health claims for workers older than 65.

The settlement involves claims paid between 1983 and Nov. 30, 1994. The Justice Department, which sued the plan in 1989, earlier estimated that Medicare improperly paid between \$68 million and \$73 million from 1983 to 1989 for older workers' health care claims that should have been paid by the plan.

Among other things, BC/BS officials attributed problems to health care providers who did not understand changes in federal laws and improperly sent older workers' claims to Medicare for payment.

BC/BS of Michigan says employers' rates will not be increased to offset the cost of the settlement, which was paid last week.

Separately, the Blues plan paid the federal government \$27.6 million to settle charges of submitting false documentation in its role as a Medicare contractor and auditing hospital cost reports. Among other things, a civil suit charged that BC/BS performed cursory and inadequate audits of hospital cost reports and later backdated revised reports to conceal that the original audits were poorly done.

### Breast implant charges taken

NEW YORK—Several silicone breast implant makers took fourth-quarter charges against earnings after more women than expected opted out of the pending \$4.75 billion settlement of implant suits.

Bristol-Myers Squibb Co. took a special pretax charge of \$750 million, or \$488 million after taxes. The company previously recorded a 1993 charge of \$500 million, reflecting projected insurance recoveries of \$1 billion and an anticipated \$1.5 billion share of the settlement.

Dow Corning Corp., the joint-venture company created by Dow Chemical Co. and Corning Inc., will take an additional pretax charge of \$241 million (\$152 million aftertax) for the fourth quarter. That charge also is net of expected insurance recoveries. Dow Chemical is expected to take a similar charge. Both Dow Corning and Bristol-Myers are suing their insurers (BI, July 12, 1993).

Dow Corning, once the largest manufacturer of silicone breast implants, has agreed to pay about \$2 billion of the global settlement approved by U.S. District Judge Sam C. Pointer (BI, Feb. 21, 1994).

### Briefly noted

Congress may reform the Oil Pollution Act of 1990 to rework the rules on the requirement for ships trading in U.S. waters to have Certificates of Financial Responsibility, said Rep. Howard Coble, R-N.C., chairman of the Coast Guard and Maritime Transportation Subcommittee last week. Hearings will be held later this year, he said. Shareholders have given Sturge Holdings P.L.C. the green light to create Ockham Holdings P.L.C., despite efforts by some shareholders to scuttle the scheme (BI, Dec. 12, 1994). Standard & Poor's Corp. is downgrading the claims-paying ability of Home Insurance Intercompany Pool to BB from BBB- and the senior unsecured debt rating on Home Holdings Inc. to B- from BB-. The ratings could change if Zurich Insurance Co. succeeds in its bid to acquire much of Home's business, S&P says. S&P also affirmed the AAA claims-paying ratings of Zurich and the Zurich American Intercompany Pool. Stockholm Re (Bermuda) Ltd., which was put into runoff in 1994, will now be liquidated. Vermont Gov. Howard Dean proposed the state set aside \$100,000 to cover the cost of a potential legal challenge to the accreditation process used by the National Assn. of Insurance Commissioners.

# Offshore company follows in barred insurer's steps

By DOUGLAS McLEOD

DUBLIN, Ireland—The manager of an offshore marine insurer that has encountered legal trouble in the United States is now trying to generate U.S. business for another marine insurer, this one purportedly based in Belgium.

International Marine Group Ltd. of Dublin, manager of American Fire & Marine Insurance Co. Ltd., is also operating Monarch Insurance Co. S.A., *Business Insurance* has learned.

Like American Fire & Marine,

Monarch is concentrating on ocean marine underwriting, which is unregulated in some states. The company confirms that it is writing marine business, and market sources say it recently has written fishing vessel risks in the Northeast.

While regulators have taken no action against Monarch, American Fire & Marine has been a different story.

The Louisiana Insurance Department issued a cease and desist order against American Fire & Marine last May, charging that

the insurer was operating illegally in the state.

In 1991, an American Fire & Marine producer, Marine Marketing Services Inc. of Hillsdale, N.J., pleaded guilty to insurance fraud charges in Alaska for collecting premiums for American Fire & Marine commercial marine policies when actual coverage was not provided (BI, May 9, 1994).

Some of those involved with Monarch, American Fire & Marine and IMG have previously operated other insurers that failed.

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# Setting reform strategy

## Insurer groups agree to framework for Superfund reform

By MARK A. HOFMANN

WASHINGTON—In an attempt to avoid the bitter conflict that divided the insurance industry during the Superfund reform debate last year, an array of trade groups has endorsed a set of principles for Superfund reform.

The principles call for a total overhaul of Superfund's liability scheme, including the repeal of strict, retroactive and joint and

several liability for cleaning up dump sites that were fouled before 1987.

But, the new list of principles does not address the issue that caused much of the conflict during the 103rd Congress—financing Superfund reform.

That omission isn't bothering supporters of the principles, who emphasize the importance of insurance industry agreement on a common approach.

"At this point, we can pursue a reform agenda and work with the broader business community without the public acrimony that characterized the industry in 1994," said Franklin W. Nutter, president of the Reinsurance Assn. of America and head of the informal Superfund working group, which consisted of six trade associations, that drafted the principles.

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### Deadline extended for directory of EBIS vendors

*Business Insurance* will publish its annual directory of employee benefit information and claims system vendors in the March 6 issue, along with a Spotlight Report on trends in employee benefit plan design and administration.

The directory will contain information on computer software systems designed to manage corporate employee benefit plans.

Companies that produce and supply such proprietary software products to corporate employee benefit departments are eligible to be listed in the directory.

There is no charge to be included.

However, companies must complete and return a BI questionnaire by the extended deadline of Feb. 8.

If you would like to be included, please call Directory Editor Kathy Welyki at 312-649-5279.

# Unintended pollution clearly excluded: Court

By MICHAEL SCHACHNER

HARTFORD, Conn.—The absolute pollution exclusion in the standard post-1985 commercial general liability policy is clear and unambiguous and bars coverage for even unintentional pollution, the Connecticut Supreme Court says.

The pro-insurer ruling is one of the only state high court rulings on the absolute pollution exclusion, which was first added to CGL policies in 1986.

A 1994 pro-policyholder ruling on the exclusion by the Louisiana Supreme Court was later vacated. Louisiana had held that the exclusion did not bar coverage for non-environmental claims or for some environmental claims from unintentional pollution (BI, June 13, 1994). That ruling was vacated when the court found the insurer involved may have attached an unapproved exclusion endorsement to its policy. The case was sent back to trial court to determine if the endorsement applied.

The Connecticut Supreme Court in its Jan. 17 ruling—*Heyman Associates No. 1 vs. Insurance Co. of Pennsylvania*—said the clear and unambiguous language of the absolute

pollution exclusion bars coverage for Heyman's 1991 spill of oil into Stamford Harbor, even though the spill was caused by an unknown fuel pipe leak in Heyman's heating system.

"This case is significant for three reasons," said Laura Foggan of Wiley, Rein & Fielding in Washington, which represents the insurer-backed Insurance Environmental Litigation Assn. "It's the first state Supreme Court to issue a final ruling on the 1985 ISO absolute exclusion. It comes out of Connecticut, which carries some additional significance because so many insurers are based there, and it refutes all the leading policyholder arguments, especially that intent is a key determinant."

Andrew Reidy of Anderson Kill Olick & Oshinsky in Washington, which represented Heyman, said the ruling may not preclude other policyholders from tapping coverage.

"The court seized on the issue of oil leaking into a waterway," he said. "That they determined to be pollution. There may be other cases where they are not so stringent."

*Heyman Associates No. 1 vs. Insurance Co. of Pennsylvania, Connecticut Supreme Court, No. SC-14938.*

## Inside

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• Cunard Steamship Co. is facing a lawsuit from angry passengers from a voyage aboard the QE 2. **PAGE 23**

• Bomb threats should be considered in forming disaster preparedness plans, a study says. **PAGE 25**

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# Pact to aid public risk management

By JUDY GREENWALD

SAN FRANCISCO—Public entity risk managers' jobs could be made a lot easier by the Public Entity Risk Institute and a national risk database created under the settlement of the massive insurer antitrust litigation, which received preliminary approval last week.

The two facilities "certainly have the potential to really benefit public risk management," said Tom Phillips, risk manager for Santa Monica, Calif.

Both were part of a settlement reached between 20 state attorneys general and 32 insurance industry defendants (*BI*, Oct. 10, 1994).

However, Dr. Ellen Thrower, president of the College of Insurance in New York, said she had some serious concerns over how funds designated for PERI will be spent.

U.S. District Court Judge Charles A. Legge, who gave preliminary approval to the settlement last Tuesday, is expected to give final approval March 29.

Of the \$36 million the insurance industry defendants agreed to pay to settle the suit, \$21 million will be used to finance the Public Entity Risk Institute and \$5.2 million to establish the database.

Both projects are still in the planning stages,

## Public Entity Risk Institute

- Provide technical services, training and education to policyholders, self-insurers and public pools.
- Board to comprise three members from public sector, one from private non-profits and one private for-profit.
- Will distribute at least \$6 million in grants over 10 years to spur "fresh and creative thinking."
- Will focus on: liability loss prevention; catastrophe management; environmental liability reduction; consumer training; forming a permanent resource center.

## National risk database

- Goal is to help public entities better understand and control risks of performing public service.
- Will collect and analyze workers compensation and liability loss data.
- Data to be broken down geographically and by type of entity.

GRAPHIC BY JERRY PARKS

though some details were included in recent court filings.

The institute will provide high-quality technical services, training and education to policy-

holders, self-insured entities and public entity pools, and will serve as a "permanent but dynamic 'forward-thinking' resource for the practical enhancement of public and private risk management," court papers say.

The tax-exempt institute's five-member board will be made up of three representatives from the public sector, one from the private non-profit sector and one from the private for-profit sector.

The institute will focus on five areas:

- Liability loss prevention and loss control training.
- Property and liability catastrophe management.
- Environmental impairment liability reduction.
- Insurance consumer training for small public entities.
- The establishment of a centralized, permanent resource center.

It is also charged with distributing a minimum of \$6 million in grants over the first 10 years of its existence "to stimulate fresh and creative thinking and to maintain vibrancy in PERI programming." Recipients could include individual public entities, public entity pools, non-profit associations, accredited colleges and universities with risk management departments

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# ACE adds finite risk lines with new hire

By GAVIN SOUTER

HAMILTON, Bermuda—ACE Ltd. is moving into finite risk insurance as part of a strategy to expand its product lines beyond its current excess liability coverage.

The Bermuda-based insurer's drive into finite risk underwriting will be led by recently hired Dominic J. Frederico, who, like his new boss, spent much of his career



# City of big shoulders trying to shed role as deep pocket

By RODD ZOLKOS

CHICAGO—Chicago is set to implement a risk management initiative that officials project will save the city \$9 million in workers compensation and liability costs over the next two years.

By handling claims more efficiently, introducing managed care and by collecting and using liability claims data, the city also hopes to generate savings for years into the future.

"We're excited about it because we think it allows the city to move its program from a reactive to a proactive process that will serve all the taxpayers of the city," explained Cushman Andrews, a managing director at Marsh & McLennan Cos. Inc. in Chicago.

Mr. Andrews helped develop the initiative through Chicago's "Mayor's Fellows Program," in which private sector experts volunteer to help solve city problems.

"We brought experts in from the outside to look at the way we do things and make changes for the better," said Paul Vallas, city budget director.

The initiative focuses both on the city's workers comp program and its liability claims handling.

"It is our belief that these programs will

put the city of Chicago at the forefront of the modern techniques of claims management," Mr. Andrews said.

Chicago self-insures its workers compensation risks.

The city's annual workers compensation costs run between \$30 million and \$35 million.

Tort claims costs average about \$30 million, with \$5 million to \$6 million going solely for claims from people who fell on city sidewalks.

One reason claims costs run so high is that claims management duties are scattered throughout city government. For example, responsibility for workers comp is divided between the City Council's finance committee and the city's law, personnel and finance departments.

The results: accident reports may take several months to complete; care isn't managed for appropriateness; the city pays medical bills at retail prices or with only minimal discounts; and injured employees aren't monitored to ensure a timely return to work.

Central to the city's new approach is a medical provider network that will provide discounts for all city employees injured on the job.

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Marsh & McLennan's Cushman Andrews played a major role in the city initiative.

# CNA buys TPA unit from A&A

## Alexsis sale satisfies strategies of both parties

By SALLY ROBERTS

CHICAGO—Continuing its drive to eliminate non-core businesses, Alexander & Alexander Services Inc. is selling its third-party administration unit, Alexsis Inc., to a unit of CNA Financial Corp. for about \$45 million.

CNA says it is buying the nation's fifth-largest property/casualty claims administrator firm in response to the trend toward increased risk retention and demand from employers for unbundled insurance and claims management services.

Expanding the insurance company's alternative risk transfer services "is what the (Alexsis) acquisition is all about," said Dennis H. Chookaszian, chairman and chief executive officer of CNA.

Chicago-based CNA did not enter the alternative risk transfer services business until 1992, when it set up ServCo, a small property/casualty TPA.

"As we started building ServCo, we wanted to provide a broader array of services like captive management programs," said Mr. Chookaszian.

The Alexsis purchase comes on the heels of CNA's recent acquisition of Continental Corp. (*BI*, Dec. 12, 1994). As part of that deal, CNA will acquire Continental Risk Management Services, which provides fully cus-

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tomized services with units of American International Group Inc.

ACE is still looking for a property underwriter to carry out its previously stated intent to move into the property insurance market, said Brian Duperreault, chairman, president and chief executive officer.

Mr. Duperreault joined ACE last fall after heading the casualty operations of American International Underwriters Inc.

The newly created financial lines division will offer tailored products, including finite risk coverage, to address balance sheet exposures, he said.

"They will be very specific, tailor-made products," Mr. Duperreault said.

The new products will be designed to cover exposures such as pollution liabilities and unfunded pension liabilities and to provide some of the benefits of funded coverages while complying with recent Financial Accounting Standards Board restrictions on such contracts.

ACE already insures many Fortune 500 corporations and they will be the likely clients for the financial coverage, said Mr. Duperreault.

A "significant percentage" of ACE's existing 600 clients will likely buy some form of financial coverage, he predicted.

"Our clients have all sorts of exposures on their balance sheets that we could design a product for, so it is a natural for us," Mr. Duperreault said.

Mr. Frederico, who joined ACE on Jan. 9, is executive vp-financial lines.

He most recently was senior vp, chief financial officer and general manager for four U.S. regions of AIG Risk Management, a unit of New York-based AIG.

Additional new appointments and new business lines are due soon at ACE, according to Mr. Duperreault, who himself joined the Bermuda insurer in October, after a 20-year career with AIG (*BI*, Oct. 24, 1994).

In particular, ACE has been looking for several months to add a property insurance underwriter to its staff.

The company made one offer but was turned down, Mr. Duperreault said.

"As soon as we have the right person, we'll move into the business," he said.

BI

# Comp insurers abusing comp reform: Suit

Provider blames shutdown on unpaid bills

By JOANNE WOJCIC

LOS ANGELES—Workers compensation insurers are improperly using the 1993 California workers compensation reform law to delay—and sometimes refuse—claims payments, a medical services firm is alleging in a suit seeking \$123 million in compensatory damages.

The National Pain Institute of Marina del Rey, Calif., a unit of Atlanta-based Allegiant Physician Services Inc., is also seeking punitive damages in the suit,

which was filed Jan. 6 in Los Angeles Superior Court.

The suit charges that the insurers are abusing the 1993 statute, which aims to curtail fraud by giving insurers more authority to challenge medical-legal evaluations (*BI*, Sept. 13, 1993; March 8, 1993).

By delaying payment, sometimes for more than two years, the insurers hampered the medical firm's cash flow, forcing it to stop providing pain management services in November 1993, according to John Kirkland, an attorney

with Cadwalader, Wickersham & Taft in Los Angeles, who represents the firm.

The California Labor Code requires payment or an explanation of non-payment within 60 days, he said.

NPI's shutdown was primarily responsible for a \$24 million pre-tax non-recurring charge to Allegiant's operating results during the fourth quarter of 1993, said Joseph G. Bleser, executive vp and chief financial officer of the Atlanta company.

NPI has since reorganized as the Pain Relief Network, which is marketing itself to health mainte-

nance organizations, insurers and self-funded employers to provide non-occupational health care services.

But the new company is generating less than a third of the \$3 million in monthly gross revenues that NPI made, according to Mr. Bleser. "We're a shadow of our former selves," he said.

While acknowledging that fraud has been rampant in California's workers compensation system, Mr. Bleser said insurers have wrongfully labeled NPI as a "comp mill."

"Unfortunately, they have

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# Chicago

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The city also will hire in-house case managers trained to monitor employees' medical treatment and help them return to work. A new requirement that all accidents be reported within 24 hours will allow case managers to control medical costs from the start.

"We want the case manager to contact the employee before his lawyer does," said David Agazzi, the city's deputy budget director.

The program will begin in the Chicago Police Department early this spring, then will be implemented in the Fire Department and eventually all other city departments.

Chicago officials estimate the combination of reduced medical costs, managed medical treatment and speedier return to work will

save the city \$3 million by the end of 1996.

Returning employees to work "in a more timely fashion" is a definite "byproduct" of the initiative, Mr. Vallas said. "The problem you have is while workers might be temporarily disabled, they're not returning to work in a light-duty capacity."

City officials are considering establishing certain job titles specifically as light-duty jobs to facilitate injured employees' return to work.

In addition to improved workers comp management, Chicago's cumbersome liability claims also will be streamlined under the initiative.

Currently, property damage claims under \$1,500 may be filed with the city clerk while any claims greater than \$1,500 and all personal injury claims must be filed in court. Most cases ulti-

mately are settled after some investigation or when liability is determined.

"Right now, we have a process but it isn't as systematic as we would like," Mr. Agazzi said.

The new process will emphasize keeping claims out of court. All property damage and personal injury claims will be reported to a private third-party administrator to be hired this spring by competitive bid.

The TPA will investigate claims and attempt to settle them out of court, with larger personal injury claims referred to the city's law department.

The city also will hire an experienced claims manager who will work in the law department. The claims manager will oversee implementation of the new claims process, assist in selecting the TPA and manage the firm's day-to-day activities.

Claims reporting will be centralized through a newly created toll-free telephone number.

Callers will be sent information outlining their rights, and all future information regarding claims will be provided through the hot line.

"We're hoping that, with early intervention with claims against the city, we will be able to reduce legal costs," Mr. Agazzi said.

M&M's Mr. Andrews believes the city will. "Proactivity on the liability side really works," he said. "The 1-800 numbers have been very successful in private enterprise. I don't know another city that is moving forward to this degree."

The new claims approach is expected to save the city \$3 million a year by reducing court costs and related delays, identifying fraudulent claims and by reducing the case loads and clerical duties of

in-house legal personnel.

While they could not estimate the current cost of fraudulent claims, the Chicago officials said they expect the initiative to reduce fraud on both the workers comp and liability claims fronts.

"This process will begin weeding out those people who have been really abusing the system," Mr. Vallas said. "You do have chronic abusers. Hopefully this program will discourage them from filing those sorts of claims."

By more effective claims management and the requirement that the TPA implement new risk management software compatible with existing city computer systems, the risk management initiative also promises to provide Chicago officials the information needed to implement effective loss control strategies, offering additional potential for savings.

"We will now have the powerful tools of information technology," Mr. Agazzi said, adding that city officials hope to be able to transfer old claims data into the new system. **BI**

## IMCA honors Malecki

Former *BI* publisher receives award

Alfred Malecki, retired publisher of *Business Insurance*, is the 1995 recipient of the Insurance Marketing Communications Assn.'s Golden Torch Award.

IMCA presents the Golden Torch Award annually to a person who helped light the way for others.

Mr. Malecki was recognized for his leadership at *Business Insurance* from its founding in 1967 through 1991, during which time the magazine pioneered coverage of commercial insurance issues from the buyer's perspective.

"Now we all are focused on the client," said Fran Pigott-Harding, chair of the Golden Torch Award selection committee and director of corporate communications at the commercial insurance group of The Maryland Insurance Group, in announcing the award at IMCA's annual meeting last week in Charleston, S.C.

The award also recognizes Mr. Malecki's other achievements, including breakthrough marketing efforts to the insurance industry, creation of the Risk Manager of the Year Award and editorial innovations at *Business Insurance*.

"I greatly appreciate the honor bestowed upon me by the IMCA, whose work I have admired and supported over the many years I have been privileged to lead *Business Insurance*," Mr. Malecki said.

He quickly added, "No award to an individual is ever merited solely by that person but largely by the people who work with that person, supporting his efforts and striving jointly for success. This ultimately gives rise to recognition of a success story of which the recipient of the award is but a symbol."

He retired as publisher of *Business Insurance* in December 1991.

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— RISK MANAGEMENT SERVICES —

# Managing retiree care on upswing

Employers increasingly are moving their retiree populations into managed care arrangements and some are eliminating indemnity plans for retirees altogether, according to a recent survey by William M. Mercer Inc.

Forty-four percent of the 149 surveyed companies that provide retiree medical coverage have added managed care options to their retiree medical benefit plans during the past three years, the survey reported. Another 11% are considering doing so.

In addition, nearly one-third of employers that offer managed care plans to retirees no longer give them the additional choice of selecting indemnity medical plan coverage, according to the survey.

Six percent of survey respondents

## Benefit Beat

canceled retiree health benefits, though most did so for future, rather than current, retirees.

Rising health care costs, coupled with Federal Accounting Standards Board rules requiring employers to account for retiree health costs on an accrual, rather than pay-as-you-go basis, have been the major "catalysts for employers to revise their retiree health plans," said George B. Wagoner, a Mercer managing director and actuary in Richmond, Va.

In addition to introducing managed care options as a method to control costs, employers have implemented other benefit plan changes

for retirees, according to the survey. For example, 30% have decreased employer contributions to retiree medical plans; 28% have capped those contributions; 26% have changed their method of integrating Medicare benefits with their employer-sponsored retiree medical plan; and 5% have reduced retirees' lifetime benefit cap.

Figures add up to more than 100% because some employers have introduced more than one cost containment program.

Also, 68% of employers increased retiree health plan contributions in recent years and 7% say they are considering doing so. Similarly, 58% of employers have increased retirees' co-payments and deductibles, and 4% are considering such a move.

Among the employers that have

increased retiree contributions, 43% say the increase exceeds the health care inflation rate—4.7% for the year ending Oct. 31, 1994,—36% say the increase is less and 20% say the increase is about the same. Small companies—those with 500 or fewer employees—were more likely than larger companies to impose increases that exceed the medical inflation rate, the survey found.

Thirty-eight percent of employers surveyed rate their cost control efforts as "very effective," while 33% rate them as "somewhat effective." Only 7% say their changes have not been effective and 22% said they made their changes too recently to gauge results.

Free copies of William M. Mercer's Fax Facts Retiree Issues Survey Results are available by calling

Mary O'Neill Winston at 212-345-7584.

—By Christine Woolsey

## Sears legal plan

HOFFMAN ESTATES, Ill.—Sears, Roebuck & Co. is now offering its employees a legal plan on a voluntary enrollment basis.

The new plan, administered through Pru LegalCare, a Louisville, Ky., division of Prudential Life Insurance Co. of America, provides a variety of services ranging from the preparation of deeds to divorce and adoption.

Employees can choose from various attorneys in a network. They also can go outside the network, but coverage is reduced. For example, the plan would cover the full fee for a document review performed by a network attorney, but only \$30 for a review by a non-network attorney.

The spokeswoman said that all full-time and part-time regular employees could sign up for the plan. Employees' dependents are also eligible, she said.

For 1995, a legal plan for individual employees costs \$8 per month, and family plans, covering more than one person, cost \$11.75.

Allstate Corp., which is 80%-owned by Sears, Roebuck & Co., is also offering the Prudential legal plan, though it negotiated its plan separately.

—By Stacy Ashley

## Benefits for partners

LOS ANGELES—The Writers Guild-Industry Health Fund recently became the first nationwide, multiemployer health plan to extend spousal benefits to same-sex domestic partners.

The fund now provides health and dental benefits for more than 5,000 members of the Writer's Guild. Similar benefits will be extended effective April 1 for guild members' domestic partners.

The Jan. 13 announcement came after the Internal Revenue Service issued a letter stating the plan would not lose its tax-exempt status if a portion of its assets are used to extend benefits to domestic partners.

Domestic partners are not recognized as dependents under federal tax law and therefore benefits they receive are taxable. However, the IRS previously has issued private-letter rulings to individual employers that extended benefits to domestic partners.

The IRS letters typically state employers can spend up to 3.4% of health plan assets on dependents' benefits.

The IRS letter to the guild's welfare fund marks the first time a multiemployer plan has obtained such a ruling, said Richard Jennings, executive director of Hollywood Supports, a clearinghouse on gay and AIDS issues.

Mr. Jennings said the fund is now the entertainment industry's first union health plan to offer same sex domestic-partner benefits. He said the IRS ruling has far-reaching implications.

"The Writers Guild and the Writers Guild-Industry Health Fund have been extraordinarily supportive on the issue of equalizing spousal benefits for (Writers Guild) members," he said. "Thanks to the pioneering work they have done on this issue for multiemployer health plans, it is now possible for other industry guilds and multiemployer plans in other industries to take this important step in eliminating discrimination in benefits on the basis of sexual orientation."

—By Roberto Cenicerros

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## Opinions

## Encouraging tort reform

VICTOR SCHWARTZ has probably forgotten more about the politics of product liability reform than most reform advocates can ever hope to learn.

So when he says there's a good chance that the 104th Congress will pass a product liability reform bill provided that three conditions are met, he deserves the business community's undivided attention.

Mr. Schwartz, counsel to the Product Liability Coordinating Committee and probably the most visible advocate of product liability reform in the country, recently said reform is possible provided the business community remains united, the appetite for reform remains "reasonable" and that proponents do not let the legislative calendar slip away.

The calendar may be kinder than it has been in the past. Product liability reform is one central tenet of the House Republican leadership's "Contract with America" legislation and a bipartisan group of senators plans to introduce its own reform bill shortly. To make the most of this situation, reform proponents must make sure that lawmakers realize the initiative's importance to them.

That's why heeding Mr. Schwartz's other two caveats is crucial. If proponents become divided, as proponents of Superfund reform did during the 103rd Congress, lawmakers may see little reason to move ahead with the reforms. And, for the reforms to be palatable, they will have to be reasonable. This isn't the time to ask to be given the store.



After all, enacting a federal product liability reform bill is the task at hand. An imperfect law can always be made better with time. Failure to support a good bill simply because it falls short of the ideal means that the whole product liability reform battle will have to be fought anew in the next Congress, where there's no guarantee that chances for passage will be anywhere near what they are now.

## Spreading catastrophic risk

ONE OF THE MANY fallouts from the devastating earthquake that rocked Kobe last week is that the Japanese insurance market likely will remain closed to foreign competition for the foreseeable future.

There were signs of progress when, after the signing of U.S. trade accords, the Diet agreed to pass legislation that would open up Japan's insurance system to foreign brokers. That could give the Japanese business community access to new international markets. However, even if the legislation is passed, there is no set timetable for deregulating the market, which means it could be delayed indefinitely.

As Japanese insurers shoulder heavy earthquake-related losses, we fear that the government could seek to protect its insurers from competition with foreign markets by delaying the reforms. Already saddled with quake losses, the addition of pressure to reduce property/casualty rates could be seen as a potential threat to Japanese insurers' financial health.

We think it would be a shame if the Japanese market were to insulate itself further.

The Japanese insurers are among the best-capital-

ized insurers in the world. The ability to maintain extraordinary loss reserves, as well as reinsurance protection, gives them an added cushion that will help them absorb their losses from the quake.

However, they would be in an even better position if the market were more open. If foreign insurance markets were competing for Japanese business, there would be a better spread of the country's catastrophic risks. Although some of the risk is borne by foreign reinsurance, Japanese insurers maintain sizable retentions for their catastrophe exposures.

Also, the addition of foreign capacity would lead to lower earthquake insurance premiums for Japanese consumers. Currently, it is estimated that only a fraction—about 4% to 16%—of consumers purchase earthquake insurance because of the high cost.

While Japan's government will surely help bail out uninsured homeowners, it is uncertain whether business will receive the same level of assistance.

This earthquake will prompt Japanese insurers to re-examine their catastrophe retentions and level of reinsurance protection. We hope Japan also considers the benefits of a more open market.

## Letters

## Mentors boost quality of future risk managers

*Business Insurance welcomes letters to the editor from its readers. We reserve the right to edit letters for clarity or space.*

*We will not publish unsigned letters.*

*Please send your comments to:*

Letters to the Editor,  
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740 N. Rush St.,  
Chicago, Ill. 60611-2590.

To the editor: I would like to congratulate the Los Angeles chapter of the Risk & Insurance Management Society on their new mentor program, which was detailed in the Jan. 9 article, "Mentor Program to Aid New Risk Managers."

The Atlanta chapter of RIMS started a mentor program over two years ago and it has been a big success from the beginning. Ms. Oliabis is right on target when she states that the program is a way for experienced risk managers to give something back to their careers.

Mentors can have a positive effect on the quality of risk management leadership in the future.

The Atlanta chapter joins the Los Angeles chapter in encouraging other chapters to follow our lead.

**Thomas C. Catledge Jr.**

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Atlanta chapter-  
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■ Mutual Risk Management (Vermont) Ltd. offers an information packet on **establishing a captive in Vermont**. Request item 310.

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*Continued on page 14*

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## REQUEST FOR PROPOSALS FOR CLAIM INVESTIGATOR AND ADJUSTMENT FIRMS

The New York City Housing Authority is soliciting proposals from insurance claim adjustment firms to investigate claims for personal injury and property damage asserted against the Housing Authority, and to adjust certain Property Damage Claims and claims arising under the Comprehensive Motor Vehicle Insurance Repairs Act.

The Housing Authority seeks to establish a panel of investigator and claim adjustment firms capable of delivering high quality services in a cost-efficient manner. The Panel will work under the direction of the claims Management Division of the Housing Authority's Law Department, and will provide services for the Claims Management Division and outside legal counsel who have been retained by the Housing Authority to represent it in the defense of Personal Injury Claims and Property Damage Claims.

Interested firms may obtain copies of the Request for Proposals from: Susan F. Cassidy, Esq., 75 Park Place, 11th Floor, New York, NY 10007, Telephone: (212) 776-5022, on any business day between the hours of 9 a.m. and 3 p.m. A proposer's conference will take place on February 7, 1995, 10 a.m., 75 Park Place, 2nd Floor, New York, NY 10007. The deadline for submitting proposals is 5 p.m., March 1, 1995.

**NYCHA**

# Providing Quality Investment Banking Services to the Insurance Industry

**\$850,000,000**  
**Reliance Group Holdings, Inc.**  
**\$400,000,000**  
 9% Senior Notes due 2000, Price 100%  
**\$250,000,000**  
 9 3/4% Senior Subordinated Debentures  
 due 2003, Price 100%  
**\$200,000,000**  
 25,000,000 Shares Common Stock  
 \$8 Per Share

**\$291,000,000**  
**Blue Cross Blue Shield of  
Michigan**  
 completed its acquisition of  
**The Accident Fund of Michigan**  
 from  
**The State of Michigan**  
 We provided a fairness opinion to  
 the Board of Directors of  
 Blue Cross Blue Shield of Michigan.

**\$475,000,000**  
**Frank B. Hall & Co. Inc.**  
 sold its operations to  
**Aon Corporation**

We represented Frank B. Hall & Co. Inc. in this  
 transaction and provided a fairness opinion. We  
 also advised Frank B. Hall & Co. Inc. minority  
 shareholders with respect to their subsequent  
 merger into Reliance, which had owned 75% of  
 Frank B. Hall & Co. Inc.

**\$468,000,000**  
**STI Group**  
 (now American Annuity Group, Inc.)  
 completed its acquisition of  
**Great American Life  
Insurance Company**

We acted as financial advisor to STI Group's  
 Special Committee of the Board of Directors  
 and provided a fairness opinion.

**\$67,551,000**  
**Frontier Insurance Group, Inc.**  
 1,518,000 Shares  
 Common Stock  
 Price \$44.50 Per Share

**\$300,000,000**  
**USLIFE Corporation**  
**\$150,000,000**  
 6% Notes due 1998  
 Price 99.789%  
**\$150,000,000**  
 6% Notes due 2000  
 Price 99.640%

**\$36,587,053**  
**American Annuity Group, Inc.**  
 completed its securities exchange with  
**Great American Insurance  
Company**  
 and  
**Affiliates of Fidelity Investments**

We acted as financial advisor to the  
 Special Committee of American Annuity Group, Inc.  
 and provided a fairness opinion.

**\$100,000,000**  
**American Annuity Group, Inc.**  
 9 1/2% Senior Notes due 2001  
 Price 100%

**\$636,000,000**  
**Grupo Financiero Mexival  
Banpais, S.A. de C.V.**  
 completed its acquisition of 70% of  
**Aseguradora Mexicana, S.A.  
(Asemex)**

We acted as financial advisor to  
 Grupo Financiero Mexival Banpais, S.A. de C.V.  
 in this transaction.

**\$350,000,000**  
**Statesman Group, Inc.**  
 was acquired by  
**Conseco Capital Partners II, L.P.**

We acted as financial advisor to  
 Statesman Group, Inc. in this transaction  
 and provided a fairness opinion.

**\$192,400,000**  
**The Progressive Corporation**  
 5,200,000 Shares  
 Common Stock  
 Price \$37 Per Share

**\$139,725,000**  
**The Progressive Corporation**  
 5,175,000 Shares  
 Common Stock  
 Price \$27 Per Share

**\$69,000,000**  
**Statesman Group, Inc.**  
 6 1/4% Convertible Subordinated  
 Debentures due 2003  
 Price 100%

**\$69,000,000**  
**American Life Holding Company**  
 a wholly-owned subsidiary of  
**Statesman Group, Inc.**  
 2,760,000 Shares  
 \$2.16 Redeemable Cumulative  
 Preferred Stock  
 Price \$25 Per Share

**GEICO Corporation**  
 sold its subsidiary  
**Garden State Life Insurance Co.**  
 to  
**American National  
Insurance Company**

We acted as financial advisor to  
 GEICO Corporation in this transaction.

**\$337,000,000**  
**The Equitable Life Assurance  
Society of the United States**  
 has transferred substantially  
 all of the assets of  
**Equitable Capital Management  
Corporation**  
 to  
**Alliance Capital Management L.P.**

We acted as financial advisor to  
 The Equitable in this transaction.

**SunAmerica Inc.**  
 acquired  
**Imperial Premium Finance, Inc.**  
 from the  
**Resolution Trust Corporation**  
 as Conservator of  
 Carteret Federal Savings Bank

We acted as financial advisor to  
 SunAmerica Inc. in this transaction.

**\$57,000,000**  
**Aon Corporation**  
 1,000,000 Shares  
 6 1/4% Cumulative Convertible  
 Exchangeable Preferred Stock  
 Price \$57 Per Share  
 Remarketed for  
**Reliance Insurance Company**

## The Bear Stearns Financial Institutions Group

Alain Karaoglan (212) 272-2680

Nicos Koulis (212) 272-9254

Tom Swain (212) 272-6487

Bear, Stearns & Co. Inc., 245 Park Avenue, New York, NY 10167

New York/Atlanta/Boston/Chicago/Dallas/Los Angeles/San Francisco/Beijing/Geneva/Hong Kong/London/Paris/São Paulo/Shanghai/Tokyo

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus. Copies of the Prospectus may be obtained from the undersigned in any State in which this announcement is circulated, and where such securities may lawfully be offered.

We've invested millions of dollars in the design of something we hope you'll never use. Ironic, isn't it?

The 1880s, that is. Allendale Insurance has been a leading force in the development of modern sprinkler technology through its partnership with Factory Mutual Engineering & Research.

FIRE SPRINKLERS ARE CURIOUS THINGS.

Invest a lot of money and time in their design and engineering, and if you're really fortunate, they'll



never be put to use. But if ever one is activated, rest assured that it's capable of preventing the spread of fire and minimizing its damage.

WE SHOULD KNOW. WE'VE BEEN LEADING the way in sprinkler technology since the '80s.

DURING THE 1970S, ALLENDALE

and Factory Mutual developed the large drop sprinkler, which greatly limits fire

spread and allows customers more flexibility in the use of their warehouse storage space.

MORE RECENTLY, ALLENDALE LED THE way in the research and development of the Early Suppression Fast Response (ESFR)

sprinkler. This permits higher storage as well

as the storage of more challenging com-

modities, usually without subsequent

sprinkler retrofitting. Instead of

just controlling high intensity fires,

ESFR sprinklers can actually suppress

them, and can normally do it for half the cost

of any other protection arrangement.

**AND NOW, BY INTEGRATING OUR**

decades of fire research with current

European sprinkler designs, we have

produced benchmark international guide-

lines for fire protection. The result?

**A flexible approach which**

permits cost-effective use of any number of

technologies anywhere in the world.

**ALLENDALE IS NOT JUST AN INSURANCE**

company in the traditional sense of the

term. We believe we should do more than

compensate you for losses. We should, in fact,

help you prevent property loss, minimize

damage, and reduce disruptions to your business.

**AFTER ALL, YOUR BUSINESS IS CHANGING**

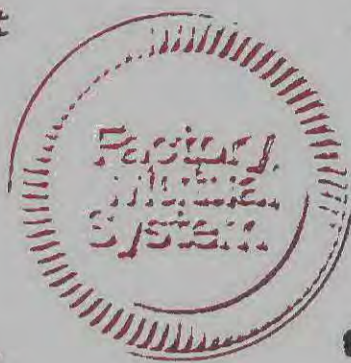
every day. We are committed to helping

you anticipate change, manage it, and to

stay ahead of it. That way, we can offer

our policyholders solutions for

their particular challenges.



Continued from page 10

■ A discussion of combining portfolio management with captive expertise to maximize a **captive insurer's investments** is explored in an article from William R. Storie & Co. Ltd. Request item 312.

■ International Risk Management Institute Inc. offers details on its book covering such topics as self-insurance and other means of **alternative risk transfer**. Request item 313.

**COMMERCIAL PROPERTY/CASUALTY INSURANCE**

■ ECS Inc. offers an outline of **environmental insurance coverages**. Request item 401.

■ An explanation of insurance coverages required by lessors involved in **long-term leasing of automobiles and trucks** is provided in a flier by Paige-Ruane. Request item 402.

■ The Illinois Insurance Exchange supplies a **directory of syndicate profiles**, including preferred terms and conditions. Request item 403.

■ Several fliers provided by ECS Inc. describe the **general and auto liability coverages** available to various environmental professionals. Request item 404.

■ A booklet from the Great American Insurance Co. explains the **rating system used by A.M. Best Co.** Request item 405.

■ **Fine art and collectibles insurance** is detailed in a brochure from Reliance National Insurance Co. Request item 406.

■ Baldwin Sadler Corp. offers a **truck/public auto product line kit** and several newsletters featuring product lines. Request item 407.

■ ECS Inc. presents several fact sheets on **environmental exposures of the general construction industry**, environmental training and insurance coverages. Request item 408.

■ An article examining the benefits of handling **multi-state and multi-party litigation** is supplied by Eagle International Associates. Request item 409.

■ The Great American Insurance Co. provides a **directors and officers liability insurance** guide for non-publicly traded companies. Request item 410.

■ A statistical comparison of the **surplus lines marketplace** is documented in an Illinois Insurance Exchange booklet. Request item 411.

■ A pamphlet from Seaboard Underwriters Inc. explains **errors and omissions markets** and policy specifications. Request item 412.

■ ECS Inc. offers fliers on coverages available for **treatment, storage and disposal facilities and chemical distributors**; and contractors equipment and motor truck cargo insurance. Request item 413.

■ The **retrospective rating process** is examined in a paper supplied by Insurance Information Technologies Inc. Request item 414.

■ A booklet about the requirements for **submitting a directors and officers application** is presented by the Great American Insurance Co. Request item 415.

■ Construction Industry Services Corp. provides an 11-minute video

outlining a three-year stable rate product for **construction contractors**. Request item 416.

■ A manual from Johnson & Higgins offers advice on **preparing for and handling a property loss**. Request item 417.

■ **Pollution insurance coverages** for virtually all types of properties and businesses are listed in several fliers from ECS Inc. Request item 418.

■ The Great American Insurance Co. supplies a fact sheet introducing its **employment practices liability coverage**. Request item 419.

■ An article from American Safety Risk Retention Group compares the **financial assurance mechanisms** available to owners and operators of municipal solid waste landfills. Request item 420.

*Continued on next page*

**Business Insurance**

**Information Resource**

NOTE: THIS COUPON WILL NOT BE SERVICED AFTER APRIL 21, 1995

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  Health Care Inst
- N  Other

2. Number of employees:

- 1  150 or fewer
- 2  151-499
- 3  500-999
- 4  1,000-4,999
- 5  5,000 or more
- 6  Unkown

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, please send Business Insurance subscription information

To obtain copies of literature and information about products and services listed in the January 23 info section, simply indicate the key numbers for the items you want and mail the coupon to:

Business Insurance Reader Service Center  
650 S. Clark St., 6th Floor  
Chicago, IL 60605-1702


Please print clearly

Name \_\_\_\_\_

Title \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Phone ( ) \_\_\_\_\_

**Talk about**

**flexibility,**

**even**

**our**

Continued from previous page

- A Reliance National Insurance Co. brochure outlines workers compensation and general/automobile liability insurance for the **energy-related and petrochemical industries**. Request item 421.
- Employers' errors and omissions liability insurance and employers' legal expense are defined in a paper from NAS Insurance Services Inc. Request item 422.
- A leaflet from the Great American Insurance Co. highlights **non-profit directors, trustees and officers liability coverages**. Request item 423.
- Berkely Risk Services/States Self-Insurers RRG Inc. offers an information package regarding a risk retention group structured to provide **excess liability insurance for public entities**. Request item 424.

- A pamphlet supplied by Seaboard Underwriters Inc. details **directors and officers markets and policy specifications**. Request item 426.
- Reliance National Insurance Co. provides a brochure explaining **financial and specialty coverages**. Request item 427.
- Directors and officers liability coverage for **middle market clients** is discussed in a flier from the Great American Insurance Co. Request item 428.
- A directory of various property and casualty **insurance courses and programs** is available from the American Institute for CPCU and the Insurance Institute of America. Request item 429.
- **Commercial auto lines and markets** are featured in a booklet sup-

- plied by AIC Transportation/Seaboard Underwriters Inc. Request item 430.
- Clausen Miller Gorman Caffrey & Witous P.C. presents a report on **recent insurance legislation**. Request item 431.
- A comprehensive guide to **policies available on environmental risks** is provided by ECI Inc. Request item 432.
- A quarterly newsletter from NAC Reinsurance Corp. offers information on liability developments in **property/casualty insurance**. Request item 433.
- American Credit Indemnity supplies a brochure explaining the benefits of **business credit insurance**. Request item 434.
- **Marketing a specialty program to**

- prospective insurance companies** is discussed in an article provided by East-West Connection Inc. Request item 435.
- A report on **employment practices liability insurance** is available from Reliance National Insurance Co. Request item 436.
- The Great American Insurance Co. offers a fact sheet outlining a new policy for **directors and officers of community banks**. Request item 437.
- An information packet describes a division of Johnson & Higgins tailored to **mid-sized companies**. Request item 438.
- Bragg & Associates' publication, "California Claims Quarterly," contains articles on **claims handling, techniques and reporting**. Request item 439.

#### FIDELITY AND SURETY

- Ira Jane Hurst & Associates offers a brochure describing its **computerized information center** for checking the backgrounds of employees. Request item 701.
- A flier describes a five-course **Associate in Fidelity and Surety Bonding** designation program offered by the American Institute of CPCU and the Insurance Institute of America. Request item 702.
- The **availability of contract surety bonds** for environmental contractors is outlined in a fact sheet from ECS Inc. Request item 703.

#### FINANCIAL SERVICES

- The American Institute of CPCU and the Insurance Institute of America's four-course **Associate in Insurance Accounting and Finance** designation program is explained in a flier. Request item 801.
- The most popular **risk financing mechanisms** are detailed in a booklet from Johnson & Higgins. Request item 802.
- An interpretation of Section 15 of the National Assn. of Securities Dealers' **arbitration code** is offered by Clausen Miller Gorman Caffrey & Witous P.C. Request item 803.

#### INTERNATIONAL

- A fact sheet offered by ECS Inc. details **pollution and professional liability underwriting** for risks in the European Union. Request item 901.
- Eagle International Associates presents a directory of **attorneys and claims adjusters** in the United States, Canada and Europe. Request item 902.
- UNISON details its global network of **insurance brokers and risk management consultants** in a booklet. Request item 903.
- A Johnson & Higgins Ltd. booklet describes **insurance related services** available through its London branch. Request item 905.
- A Chubb Services Corp. brochure explains the **ISO 9000 series of quality standards**. Request item 907.
- A series of articles from Globex International highlight **events and opportunities in the international marketplace**. Request item 908.
- The needs of clients in the **aviation insurance market** worldwide are addressed in a newsletter from UNISON Management-Aviation Division. Request item 909.
- A Johnson & Higgins U.K. Ltd. magazine discusses issues important to **U.K. insurance buyers and risk managers**. Request item 910.
- William R. Storie & Co. presents a paper on establishing and **managing exempted companies in Bermuda**. Request item 911.

#### LOSS CONTROL/PEOPLE

- Ira Jane Hurst & Associates offer a chart that details Department of Transportation **rules on drug and alcohol testing**. Request item 1001.

Continued on page 18

# computers

## bend over backwards.

There are no standard SAFECO loss reports — each is customer specific. For Merchant's, Inc., a Virginia-based retail tire chain, on-line customized claims reports offered an opportunity to reduce injuries. With 1,700 workers in six states, claims had climbed in spite of safety programs and supervision. But with agent Carl Bell of Irving, Texas, SAFECO was able to pinpoint losses, especially eye injuries. Training seminars at all 135 stores have cut claims in half and eye claims by more than 95%. After 18 months with SAFECO, Merchant's earned a \$700,000 retroactive reduction in premiums. To find out how flexibility could pay off for your company, let's talk.





**SAFECO**

Commercial Lines

*What's right.*

# The Power of

**F**rom prompt answers to timely loss recovery, the essence of active partnership is action.  Anticipating and responding to the ever-evolving risk management needs of customers and agents reflects our commitment to total quality of service. A commitment that distinguishes the power of our partnership from ordinary business relationships.  As a member of the Worldwide Zurich Insurance Group, we provide extensive financial strength and offer long-term active partnership to you. For more information, contact your agent or broker, or call 1-800-382-2150 today.

A MEMBER OF THE WORLDWIDE  ZURICH INSURANCE GROUP

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# Partnership<sup>TM</sup>

IS

RESPONSIVENESS



ZURICH-AMERICAN  
INSURANCE GROUP

Continued from page 15

Measures for avoiding and treating **back injuries** are examined in a booklet from Lumbermen's Underwriting Alliance. Request item 1002.

A fact sheet supplied by Kemper National Insurance Cos. lists resources for employers regarding the **Americans with Disabilities Act**. Request item 1003.

**Accident prevention techniques** for protecting employees are detailed in a survey from The Reliability Group. Request item 1004.

A pamphlet from Ira Jane Hurst & Associates outlines the company's **drug abuse testing programs**. Request item 1005.

Reliance National provides an information sheet on **short-term accident and health coverage** for employees while outside their country of residence. Request item 1006.

**Accident investigation programs** are reviewed in a booklet and report from Lumbermen's Underwriting Alliance. Request item 1007.

An article offered by Kemper National Insurance Cos. looks at investigating **indoor air quality problems**. Request item 1008.

Four **back injury case studies** are discussed in a report from Heppner Risk Management. Request item 1009.

A pamphlet with tips for noticing signs of **substance abuse**, and a drug abuse awareness poster are offered by Lumbermen's Underwriting Alliance. Request item 1011.

The importance of repeated vibrometric measurements in **preventing carpal tunnel syndrome** is examined in an article from Topical Testing Inc. Request item 1012.

A report on identifying applicants who are likely to have problems with **absenteeism, tardiness and work quality** is provided by Ira Jane Hurst & Associates. Request item 1013.

Reliance National offers fact sheets on basic and voluntary **AD&D insurance and business travel accident insurance**. Request item 1014.

Suggested **employee safety rules** are listed in a pamphlet from Lumbermen's Underwriting Alliance. Request item 1015.

A guide on protecting employees from **injury in cold environments** is offered by Kemper National Insurance Cos. Request item 1016.

The benefits of a **lumbar motion monitor** in preventing back injury are discussed in a booklet from Chattanooga Group Inc. Request item 1018.

A personnel conservation program stressing **workplace safety** is explained in several fact sheets from Lumbermen's Underwriting Alliance. Request item 1019.

Kemper National Insurance Cos. presents a newsletter on **the cost of smoking** to American business. Request item 1020.

A brochure from Ira Jane Hurst & Associates describes biological monitoring and wellness, safety and substance abuse **testing procedures**. Request item 1021.

The requirements for the **disposal of lead-based paint abatement wastes** are explained in an article

supplied by Clayton Environmental Consultants Inc. Request item 1022.

Continental Risk Management Services offers three brochures with techniques, products and services for **workplace safety**. Request item 1023.

The loss control and **investigative services** of the American Security Services Corp. are detailed in a booklet from Gallagher Bassett Services Inc. Request item 1024.

Clayton Environmental Consultants presents a paper summarizing **lead sampling and analysis** procedures. Request item 1026.

Management's role in establishing an **employee safety program** is defined in two fact sheets from RISCORP. Request item 1027.

A flier announcing new drug testing and **substance abuse consulting services** is available from Gallagher Bassett Services Inc. Request item 1028.

BNA Books explains **AIDS/HIV** and how it affects the workplace in a fact sheet. Request item 1029.

The Occupational Safety and Health Administration's proposed rule to regulate **indoor air quality** is discussed in an article from Clayton Environmental Consultants. Request item 1030.

Gallagher Bassett Services Inc. presents a guide from AMSEC on the **integrity interviewing process**. Request item 1031.

A BNA Books' fact sheet for employees examines how to prevent **sexual harassment** in the workplace. Request item 1032.

Clayton Environmental Consultants describe the factors that increase **cumulative trauma disorders** when using computer keyboards. Request item 1033.

A flier from Gallagher Bassett Services Inc. announces a new buyers group that provides **alcohol and drug testing programs**. Request item 1034.

**Lead sampling, ergonomics** and other topics are explored in a quarterly newsletter by Clayton Environmental Consultants. Request item 1035.

The American Osteopathic Assn. offers an **occupational medicine resource guide** for employers. Request item 1036.

Eagle International Associates presents a collection of papers from a recent seminar on **litigation and claims management**, including lead paint liability, sick building litigation and various other issues. Request item 1037.

An employer information kit from CIGNA Corp. details **personal accident insurance**. Request item 1038.

The top ten ways to contain costs in **sick building litigation** are outlined in an article from Eagle International Associates. Request item 1039.

Schirmer Engineering Corp. supplies a newsletter with ideas for **controlling costs when losses occur**. Request item 1040.

The best techniques for **managing a lead poisoning claim** are outlined in an article provided by Eagle International Associates. Request item 1041.

## Business Insurance

### Information Resource

NOTE: THIS COUPON WILL NOT BE SERVICED AFTER APRIL 21, 1995

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

Please check one item for each category:

- My organization is best described as:
 

A <input type="checkbox"/> Mfg/Svcs	F <input type="checkbox"/> Ins Agent	K <input type="checkbox"/> Adj/Apprs
B <input type="checkbox"/> Association	G <input type="checkbox"/> Ins Broker	L <input type="checkbox"/> TPA
C <input type="checkbox"/> Union	H <input type="checkbox"/> Ins/Reins Co	M <input type="checkbox"/> Health Care
D <input type="checkbox"/> Government	I <input type="checkbox"/> Actry/Conslt	Inst
E <input type="checkbox"/> Educational Inst	J <input type="checkbox"/> Attorney	N <input type="checkbox"/> Other
- Number of employees:
 

1 <input type="checkbox"/> 150 or fewer	2 <input type="checkbox"/> 151-499	3 <input type="checkbox"/> 500-999
4 <input type="checkbox"/> 1,000-4,999	5 <input type="checkbox"/> 5,000 or more	6 <input type="checkbox"/> Unkown
- My title is best defined as:
 

A <input type="checkbox"/> Administrative Mgt	D <input type="checkbox"/> Benefits Mgt
B <input type="checkbox"/> Financial Mgt	E <input type="checkbox"/> Loss Prevention Mgt
C <input type="checkbox"/> Risk Mgt	F <input type="checkbox"/> Other
- My purchasing involvement for the requested products is to:
 

1 <input type="checkbox"/> recommend only	2 <input type="checkbox"/> specify	3 <input type="checkbox"/> approve
---	------------------------------------	------------------------------------
- Do you now receive a personally addressed copy of Business Insurance?
 

A <input type="checkbox"/> Yes	B <input type="checkbox"/> No, please send Business Insurance subscription information
--------------------------------	--

To obtain copies of literature and information about products and services listed in the January 23 info section, simply indicate the key numbers for the items you want and mail the coupon to:

Business Insurance Reader Service Center  
650 S. Clark St., 6th Floor  
Chicago, IL 60605-1702


Please print clearly

Name \_\_\_\_\_

Title \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Phone ( ) \_\_\_\_\_

### LOSS CONTROL/PROPERTY

A booklet from the Chubb Group of Insurance Cos. presents high-technology firms with tips for **preventing the loss of integrated circuits** and other valuable computer components. Request item 1101.

Clayton Environmental Consultants Inc. provides an article reviewing the steps in a **well-planned environmental assessment** for real estate transactions. Request item 1102.

ServiceMaster offers a brochure highlighting a series of videos on **disaster restoration services**. Request item 1103.

A quarterly newsletter supplied by HSB Professional Loss Control reviews current **fire protection issues**. Request item 1104.

The importance of **loss prevention and control in today's economy** is discussed in a paper from Industrial Risk Insurers. Request item 1105.

A brochure provided by ServiceMaster describes their **disaster recovery services** geared toward catastrophic commercial loss. Request item 1107.

An Industrial Risk Insurers booklet examines how **fire models** are valuable tools when used properly. Request item 1108.

A catalog of the numerous products used in the development of **fire protection systems** is offered by Grinnell Corp. Request item 1109.

ServiceMaster supplies a brochure with emergency tips for **restoring a home** after damage from fire, water or vandalism. Request item 1112.

A catalog offered by Factory Mutual Engineering & Research features information on a variety of **loss control education resources**. Request item 1113.

An outline of a five-course **Associate in Loss Control Management** designation program is provided by the American Institute for CPCU and the Insurance Institute of America. Request item 1114.

Clayton Environmental Consultants Inc. presents a report examining the Title V **permit application under the Clean Air Act Amendments of 1990**. Request item 1115.

**Rolling mill loss prevention** is the focus of a magazine offered by In-

dustrial Risk Insurers. Request item 1116.

A **network of disaster restoration service centers** is described in a brochure from ServiceMaster. Request item 1118.

Industrial Risk Insurers provides a booklet addressing the problem of **combustible building construction**. Request item 1119.

A paper from Clayton Environmental Consultants Inc. suggests remediation techniques to **decrease the spread of fungi in buildings**. Request item 1120.

Lumbermen's Underwriting Alliance offers a questionnaire designed to assist plant owners in **evaluating plant safety and fire prevention** when shutting down or restarting operations. Request item 1121.

A quarterly newsletter covering the latest **restoration industry trends** and techniques and their impact on the insurance industry is presented by ServiceMaster. Request item 1122.

A magazine from Industrial Risk Insurers features articles on **protecting paper mills** from loss. Request item 1123.

Clayton Environmental Consultants Inc. offers a flier detailing why **safety, health and environmental audits** should be a high priority for companies. Request item 1124.

The **disaster restoration process** is described in a booklet from ServiceMaster. Request item 1125.

Industrial Risk Insurers provides a magazine that analyzes **building code compliance** and loss prevention. Request item 1127.

A brochure explains how CIGNA Property & Casualty Cos.' loss control services can help clients **reduce the likelihood of serious losses**. Request item 1128.

### MARINE

The American Institute for CPCU and the Insurance Institute of America's six-course **Associate in Marine Insurance Management** designation program is featured in a flier. Request item 1201.

### REINSURANCE

A monthly newsletter from NAC Reinsurance Corp. reviews **major**

**developments affecting the reinsurance industry**. Request item 1301.

Minet Inc. supplies a **contemporary guide to reinsurance**, including a glossary of terms. Request item 1302.

A quarterly newsletter offered by Mound, Cotton & Wollan discusses recent cases representative of **legal trends in reinsurance**. Request item 1303.

NAC Reinsurance Corp. presents a book describing the clauses found in **reinsurance contracts** and the regulations affecting them. Request item 1304.

A **glossary of reinsurance terms** and information on how the reinsurance market works are available in a booklet from Minet Inc. Request item 1305.

The American Institute for CPCU and the Insurance Institute of America's four-course **Associate in Reinsurance** designation program is outlined in a fact sheet. Request item 1306.

### RISK MANAGEMENT

ECS Underwriting Inc. supplies a flier describing the risk management services available to **contracting and consulting firms** and other companies. Request item 1401.

A paper discussing the benefits of **in-house risk management** vs. hiring insurance brokers and consultants is provided by Practical Risk Management. Request item 1402.

**Current risk management issues** are analyzed in a monthly publication called The Warren Report. Request item 1403.

The **guiding principles of risk management** and other topics are explored in the June issue of Risk Management Reports from Seawrack Press Inc. Request item 1404.

Isotechnologies Inc. offers a booklet on the employment requirements of the **Americans with Disabilities Act**. Request item 1405.

A reference manual from Structured Financial Associates Inc. is designed to help the **claims professional settle cases early**. Request item 1406.

Events and trends in **insurance regulation** are discussed in a quarterly newsletter from NLS Publishing Co. Request item 1407.

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■ Stone & Webster Management Consultants Inc. presents a survey of **utility company emergency plans**. Request item 1408.

■ A fact sheet explains the three-course **Associate in Risk Management** designation program offered by the American Institute of CPCU and the Insurance Institute of America. Request item 1409.

■ A quarterly journal from Willis Corroon features articles on current **health care risk management and insurance issues**. Request item 1410.

■ Reliance National provides information about its services tailored to the needs of the **risk manager and the large casualty account**. Request item 1411.

■ A booklet from American Risk Consultants Corp. details the essential risk management function of **business continuation planning**. Request item 1412.

■ An article examining **fiduciary duty and liability** is supplied by Acordia of the South Inc. Request item 1413.

■ Executive Risk Management Associates provides a survey of **outside directors and CEOs** of Fortune 1000 companies. Request item 1414.

■ Johnson & Higgins provides the **1995 Insurance Market Review and Forecast**. Request item 1415.

■ A paper offered by Willis Corroon analyzes attempts to modify **Superfund**. Request item 1416.

■ Anthem Health supplies a brochure on **managing the risk of self-funded plans**. Request item 1417.

■ **Pollution prevention** is discussed in an article from Clayton Environmental Consultants Inc. Request item 1418.

■ Service Quality Surveys Ltd. offers a **claims services survey** form and information on completing the survey to policyholders and self-insurers. Request item 1419.

■ Alden Risk Management Services presents information on a national survey on physician group involvement with capitation and discusses the advantages of **provider excess of loss coverage**. Request item 1420.

■ A research report exploring **insurance derivatives** and the role of the reinsurance intermediary is presented by Willis Corroon. Request item 1421.

■ Organizing and implementing an **ergonomics program** is detailed in a booklet from Chubb Services Corp. Request item 1422.

■ An article covering the misconceptions of capitation implementation in the health care industry and the role of **reinsurance** is provided by Alden Risk Management Services. Request item 1423.

■ Clayton Environmental Consultants Inc. provides a paper on **auditing issues related to health and safety programs**. Request item 1424.

■ The benefits of **business continuation plans** are described in a ServiceMaster Disaster Recovery Services brochure. Request item 1425.

■ A pamphlet by Alden Risk Management Services describes **provider excess of loss coverage** and how it can protect against risks associated with capitation agreements. Request item 1426.

■ A flier supplied by Willis Corroon explains the **SEC Staff Accounting Bulletin 92** requirement for disclosing environmental liabilities. Request item 1427.

■ Specific Software Solutions provides an **actuarial checklist** for insurance professionals. Request item 1428.

■ A brochure describing strategies to help health care providers evaluate and protect themselves against **risks resulting from capitated arrangements** is provided by Alden Risk Management Services. Request item 1429.

■ A pamphlet from the International Risk Management Institute Inc. outlines the contents of **The Additional Insured Book**. Request item 1430.

■ Liberty Mutual presents a magazine that offers risk managers information on a variety of topics including **coverages, services and research**. Request item 1431.

■ An article from Alden Risk Management Services describes the **risks health care providers face** from proliferating relationships with managed care organizations. Request item 1432.

■ An article supplied by Clayton Environmental Consultants Inc. examines the **role of auditing** in managing environmental, health and safety risks. Request item 1433.

■ The recent **shift in accountability for environmental compliance** to corporate executives is the focus of a paper from Willis Corroon. Request item 1434.

■ Gallagher Bassett Services Inc. offers a pamphlet outlining **appraisal services**. Request item 1435.

■ A brochure covering **information to doctors and hospitals** to better manage risks is offered by Alden Risk Management Services. Request item 1436.

■ A Minet newsletter explores **employment practices liability** laws, litigation and implications for employers. Request item 1437.

■ Methods of **allocating D&O loss**, new approaches and 9th Circuit decisions are explored in this Minet newsletter. Request item 1438.

■ An article covering **problems health care providers may encounter with capitation**, the associated risks and how to maintain profitability is provided by Alden Risk Management Services. Request item 1439.

■ A newsletter from Minet spotlights myths, misconceptions and hard facts surrounding **fiduciary liability under ERISA**. Request item 1440.

■ This Dun & Bradstreet Information Services guide to **avoiding environmental liability** explains ASTM due diligence standards and transaction screens. Request item 1441.

■ **Technology's role** in addressing strategic management issues is uncovered in survey results by EDS. Request item 1442.

■ International Risk Management Institute Inc. offers a book on **cutting litigation costs** and improving legal services. Request item 1443.

■ Personnel, loss control and computer concerns are addressed in a **risk management newsletter** from Bragg & Associates. Request item 1444.

■ **Non-insurance risk transfer** is outlined in a paper from ARM Tech. Request item 1445.

■ An article that explains **protocols for defending against sex-abuse claims**, as well as hiring recommendations, is available from Eagle International Associates. Request item 1446.

■ A brochure outlines how Alden Risk Management Services helped a **small rural hospital survive health care reform**. Request item 1447.

#### RISK MANAGEMENT INFORMATION SYSTEMS

■ An overview of the **Riskmaster Software Series applications** is provided by DORN Technology Group Inc. Request item 1501.

■ A risk management newsmagazine published by Corporate Systems Ltd. features an article on **seamless downloading of risk data**. Request item 1502.

■ Anistics' quarterly Globalrisk newsletter offers **case studies on systems for cost control**, including risk assessment, risk control and risk financing. Request item 1503.

■ A brochure on **computerizing loss data** to assist in risk management decision making and trend analyses comes from Continental Risk Management Services. Request item 1504.

■ An introduction to **automated vulnerability analysis** is covered in a pamphlet from ServiceMaster Disaster Recovery Services. Request item 1505.

■ DAVID Corp.'s ClaimsPlus Information package, including demonstration diskette, describes its **workers comp and general liability claims administration and risk management systems**. Request item 1506.

■ Lamda Data Systems Inc. provides a manual discussing a system designed for **risk management groups**. Request item 1507.

#### SELF-INSURANCE SERVICES

■ An outline of WLT Software of Florida Inc.'s **Chekclaims claims editing system** for employee benefits and workers compensation summarizes the systems numerous features. Request item 1603.

■ The Self-Insurance Exchange's **vendor locator service** identifies prescreened independent self-insurance service providers. For a flyer on the service, request item 1606.

■ WLT Software of Florida Inc.'s **workers comp claims administration system** is detailed in this outline. Request item 1608.

■ A glossary listing **medical cost containment/prevention services** for the non-clinical manager is available from Eckman/Freeman & Associates. Request item 1610.

■ Midwest Employers Casualty Co. offers a brochure explaining **how to self-insure workers compensation risks**. Request item 1611.

■ JECO Excess Agency Inc./Johns Eastern Co. Inc. describes its **self-insurance and risk management services**, including risk funding and safety services in a booklet. Request item 1615.

■ An article describing **how to reach the self-insurance marketplace** is available from the Self-Insurance Marketing Service. Request item 1616.

■ A paper from the Self-Insurance Exchange details the importance of **strategic alliances** in case management and medical cost containment services for reaching the self-insurance market. Request item 1617.

■ WLT Software of Florida Inc.'s **Mediclaims system** processes medical, dental, vision and workers compensation claims and more. For a summary outline, request item 1618.

■ A brochure explaining the two Helmsman Management Services Inc. **approaches to workers compensation self-insurance**: service plan and service contract, is offered by Liberty Mutual Insurance Co. Request item 1620.

■ Nine different **guides related to self-funding issues** such as claims examining and medical terminology are described by Self-Funding Enterprises. Request item 1621.

■ A nine-step selection program for **choosing a new TPA** is presented in an article from ARM Tech. Request item 1622.

#### WORKERS COMP

■ **Excess occupational accident insurance** is explained in a brochure from Reliance National Insurance Co. Request item 1701.

■ A quarterly newsletter published by The Frank Gates Service Co. contains information on **workers comp, unemployment compensation and group health**. Request item 1702.

■ Specific Software Solutions Corp. provides a flier with instructions for computing workers comp **experience modification factors**. Request item 1703.

■ A booklet from Physician Advisors to Disability Managers analyzes the **role of medicine** in the workers comp system. Request item 1704.

■ A workers comp **claims administration system** is available from Progressive Data Solutions Inc. Request item 1705.

■ Towers Perrin supplies a survey report on emerging practices for **controlling the cost of disability benefits**. Request item 1706.

■ A brochure provided by Reliance National Insurance Co. outlines a **truckers' occupational accident insurance program** designed for the company that uses independent owner-operators. Request item 1707.

■ An information package from Rehabilitation Corp. describes **managed care techniques** employers use to return their employees to work. Request item 1708.

■ An overview of workers comp **self-insurance groups** is presented by Chubb Services Corp. Request item 1709.

■ Progressive Data Solutions Inc. presents a **workers comp management system** designed to assist third-party administrators or commercial organizations. Request item 1710.

■ A leaflet from Specific Software Solutions Corp. examines the **effect of FAS 112 and GASB 10** on workers compensation. Request item 1711.

■ The **principles and implementation of workers comp** are explained in a pamphlet supplied by RISCORP. Request item 1712.

■ Liberty Mutual Insurance Co. discusses the **products and services** of its workers comp program in a brochure. Request item 1713.

■ A newsletter from AIG Managed Care Inc. reports on the challenges employers are facing in **managing workers comp health care expenses**. Request item 1714.

■ Information on a workers comp **managed care system** is offered by Progressive Data Solutions Inc. Request item 1715.

■ Gallagher Bassett Services Inc. offers a quarterly newsletter reviewing the latest advances in the **workers comp cost containment field**. Request item 1716.

■ **Texas occupational accident insurance** is defined in a brochure from Reliance National Insurance Co. Request item 1717.

■ A Towers Perrin survey of 1,050 employers examines the use and effectiveness of **cost containment initiatives**. Request item 1718.

■ A newsletter supplied by Kenneth H. Wells & Associates Inc. covers **negotiation and settlement strategies** for workers comp, personal injury and product liability claims. Request item 1719.

■ ARM Tech Inc. presents an article discussing **workers comp reform in California, Nevada and Oregon**. Request item 1720.

■ A booklet from Financial Settlement Services offers advice for claim managers and attorneys who are presenting **structured settlements** to workers comp plaintiffs. Request item 1721.

■ International Risk Management Institute Inc. offers a pamphlet outlining a reference manual on **workers comp risk financing**. Request item 1722.

■ A loss control guide for **hiring under the Americans with Disabilities Act** is available from Avert Inc. Request item 1723.

■ The Reliability Group provides an article detailing the results of a two-year study on the causes of **industrial accidents and injuries**. Request item 1724.

■ Industrial Indemnity offers a pamphlet on a book for employers choosing a workers comp program **under open rating in the California market**. Request item 1725.

■ More effective workers comp **cost containment** is the focus of an information packet offered by Johnson & Higgins. Request item 1726.

■ Progressive Data Solutions Inc. offers information on a **rehabilitation case management system** designed to track workers comp case histories, liability and job placement. Request item 1727.

■ The process of **integrating group health benefits and workers comp medical** is outlined in a flier provided by Towers Perrin. Request item 1728.

■ An article provided by Industrial Indemnity discusses how producers and employers can take advantage of the **1995 California workers comp insurance market**. Request item 1729.

# Amending

Continued from page 1

402(b)(3) and the potential impact on plan sponsors and participants nationwide if the high court affirms the lower court rulings.

Employers nationwide that sponsor health plans for retirees and employees have a significant stake in the court's decision, considering the extent of benefit takeaways in recent years. According to benefits experts, perhaps as many as 75% of plans contain amendment language that mirrors Curtiss-Wright's plan language.

Retirees, rather than employees, would likely lead the charge into courts to seek reimbursement for the value of the benefits they lost due to plan amendments if the Supreme Court rules for the Curtiss-Wright retirees, attorneys say.

Since 1991, only 3% of employers with 500 or more employees have, like Curtiss-Wright, terminated health coverage for current retirees, says A. Foster Higgins & Co. Inc. (BI, Dec. 6, 1993).

However, many more have cut current retirees' coverage in other ways: 23% have increased plan cost contributions, 15% have cut benefit levels and 7% have tightened eligibility requirements, Foster Higgins says.

While the case also applies to ERISA-qualified pension plans, most pension plans include the appropriate plan amendment language, experts say.

The case is rooted in what Curtiss-Wright previously argued was a clarification, rather than an amendment, of its governing health plan documents in 1983. The company, which had long reserved its right to amend the plan, added that retirees' health coverage would cease when the plant from which they retired closes.

The documents, without identifying any company representatives, said only "the company" could amend the plan. The documents also did not specify what procedures had to be followed.

Later that year, Curtiss-Wright shut down its Wood-Ridge, N.J., facility and terminated health benefits for 500 retirees.

In late December 1993, the 3rd U.S. Circuit Court of Appeals upheld a 1990 district court decision that the additional plan language was an invalid plan amendment because the company's plan docu-

ments lacked the appropriate amendment language (BI, Jan. 10, 1994).

The decision was vacated but reissued in March 1994 to correct a minor technical error.

Both the 3rd Circuit and the district court invalidated the amendment and ordered Curtiss-Wright to pay nearly \$2.7 million to the retirees—the value of their benefits over a nearly seven-year period. The company in 1990 adopted the plan amendment language that the courts ruled section 402(b)(3) requires and again added the retiree benefit termination language.

The company no longer believes that distinguishing between whether the 1983 plan change was an amendment or a clarification is relevant.

During Curtiss-Wright attorney Laurence Reich's oral arguments last week, Justice Sandra Day O'Connor quickly broke in and observed that section 402(b)(3) appears to require plan sponsors to establish a procedure that allows plan participants to determine who can amend their plans.

Mr. Reich called some of the language in the provision "surplusage." There "is no need" for plan sponsors to establish such procedures if they do not participate in complex plans, like multiemployer plans, said Mr. Reich, a partner with Carpenter, Bennett & Morrissey of Newark, N.J.

In response to Justice David Souter, Mr. Reich said Curtiss-Wright plan participants can determine from plan documents who is responsible for amending the plan.

But Justice Ruth Bader Ginsburg noted that the company "struck out" in the lower courts on that point. They ruled that the company's board of directors did not promulgate the amendment.

Mr. Reich noted that the District Court did rule that ERISA allows plans to identify "the company" as a person authorized to amend plans. "The company" can be interpreted to mean the board of directors or a board-appointed person, the district court judge said.

In its written brief, Curtiss-Wright says that a group of executives who long had been responsible for administering the plan promulgated the 1983 plan amendment.

"Then why have (the courts) all ruled against you?" Justice Ginsburg asked.

"I don't know," Mr. Reich replied.

As the retirees argue in their written brief, Justice Souter noted that neither the company's board nor any board-designated individual or group ratified the benefit termination.

The retirees also argue in their brief that the district court found that whoever amended the plan did not follow any formal or informal company procedure. But, Justice Ginsburg later jostled with the retirees' attorney over whether the



**If individuals other than board members can amend the plan and there is no clear procedure for identifying them, how does a plan participant determine a plan's status, Justice David Souter asks.**

district court made such a determination.

Section 402(b)(3) is designed to "provide the means" to those who want to determine the status of their plans to "know who to ask," Justice Souter said.

Mr. Reich said that reasoning is flawed, again contending that ERISA does not require plans to specifically identify the individuals responsible for amending the plan.

If that is true, then Congress would not have included the requirement in section 402(b)(3) that plan sponsors must "provide a procedure" for identifying those individuals, Justice Souter responded.

If individuals other than board members can amend the plan and there is no clearly delineated procedure for identifying them, how does a plan participant determine the status of a plan? Justice Souter asked.

The plan administrator could help, Mr. Reich said.

But, Justice Souter seemed troubled with the attorney's argument. Section 402(b)(3) seems to indicate Congress wanted employers to do more than make the plan administrator available, Justice Souter suggested.

Mr. Reich noted, though, that

step was not necessary for the Curtiss-Wright retirees, because the company immediately incorporated the 1983 amendment in the company's summary plan documents. "This is not some disembodied amendment we're talking about sitting out there," he told the court.

Mr. Reich noted that the district court found that the SPD was the plan's governing document.

In its brief, Curtiss-Wright further argues that the role of section 402(b)(3) is to "(promote) the identification of amendments not yet

incorporated in the plan documents..."

That role is important because ERISA permits long delays before plan sponsors must notify plan participants of plan changes in writing and incorporate the changes in SPDs.

"Once amendments are incorporated in the plan documents, the role of section 402(b)(3) is completed," Curtiss-Wright argues.

Assistant U.S. Solicitor General Richard P. Bress further argued that section 402's purpose is "not to give plan beneficiaries protection." It is designed to make plans amendable, he told the court.

But, ERISA protects plan participants by requiring plan fiduciaries to determine who can amend plans and how, Mr. Bress said.

In an amicus brief, the Clinton administration says the lower court decisions are inconsistent with ERISA as well as trust, corporate and common law and are at odds with ERISA's goal of providing plan participants with a reasonable expectation of their current benefits (BI, Nov. 21, 1994).

Even if the high court finds that Curtiss-Wright's plan amendment procedures did not comply with section 402(b)(3), it should overturn

the lower courts' decisions to invalidate the amendment, according to Mr. Reich. Invalidating an amendment is not an ERISA-prescribed remedy, he said.

As both Curtiss-Wright and the Clinton administration argued in their written arguments, Mr. Bress said the high court should apply trust law in this case. Under trust law, the amendment would stand because the plan sponsor reserved its right to amend the plan and then exercised that power in a manner that manifested its intention to amend the plan.

Retiree attorney Thomas M. Kennedy fielded several questions from Justices Antonin Scalia and Anthony M. Kennedy about how the lack of a procedure for determining who could amend the plan harmed the retirees, especially since the change was immediately incorporated into plan documents.

"Seems to me, no harm, no foul," Justice Scalia said.

But the amendment was not added to the controlling plan document, asserted Mr. Kennedy, a partner with Lewis, Greenwald, Kennedy, Lewis, Clifton & Schwartz P.C. of New York. And, the retirees were deprived of their right to have an informed fiduciary decide whether to terminate their benefits, he said.

Justice Ginsburg observed that "it's hard to come down" on employers like Curtiss-Wright that incorporated plan amendment language that closely followed the language the Internal Revenue Service used in a prototype pension plan.

"Even Hall-of-Famers strike out once in a while," Mr. Kennedy said. The IRS has no authority to enforce matters arising under section 402 of ERISA, and it did not follow what ERISA requires, he said.

Justice Ginsburg also questioned Mr. Kennedy about the potential difficulty the high court could create for plan participants as well as plan sponsors nationwide in determining their exact rights and obligations if it affirms the lower courts' rulings.

That is the risk the plan sponsors took, he replied. He added that the statute of limitations would protect some plans from lawsuits by plan participants.

The retirees also argue in their written brief that upholding the 1983 benefit reduction would be unfair to sponsors that have complied with section 402(b)(3). **BI**

# ERISA

Continued from page 1

health care coverage—once for their own employees and a second time through the surcharges to help pay for uncompensated care.

At issue in these legal battles is whether state laws that impose surcharges on hospital bills are pre-empted by the Employee Retirement Income Security Act of 1974, which bars state laws and rules that "relate" to employee benefit plans.

Courts have come to very different conclusions on not only whether ERISA pre-empts hospital bill surcharges, but also other state health care taxes and charges that ultimately make health plans more expensive.

The case before the Supreme Court involves a New York law that imposes a 13% surcharge on hospital bills of individuals covered by self-funded plans and plans from commercial insurance companies. A 9% surcharge is added to bills of patients covered by health maintenance organiza-

tions. Patients in Blues plans, though, are exempted from both surcharges.

The New York law was struck down in 1993 by the 2nd U.S. Circuit Court of Appeals (BI, Feb. 8, 1993).

However, that same year, the 3rd U.S. Circuit Court of Appeals ruled that ERISA did not pre-empt a New Jersey law that imposed a 19.1% surcharge on hospital bills. Prior to the decision, though, New Jersey scrapped the surcharge.

More recently, a federal judge ruled that ERISA pre-empts a Connecticut law that extends a 6% sales tax to hospital services and imposes an 11% tax on hospital revenues.

On the other hand, a federal court ruled that a 1992 Minnesota law that imposes a 2% revenue surcharge on certain health care providers was not pre-empted by ERISA.

Employers, hospitals and state officials all are eagerly awaiting the Supreme Court ruling in the New York case.

If the justices uphold the New York law, other states—looking

for new revenue sources to help fund coverage for the uninsured—will almost certainly move ahead to enact similar surcharges that would apply to employer-provided health care plans.

But if the law is struck down, states will lose a big potential revenue source.

In the case of New York, where the 13% surcharge goes directly to hospitals to help offset their cost of treating patients without insurance or in public programs that don't pay the true cost of provided services, lost revenue would run into the hundreds of millions of dollars.

In last week's oral arguments, New York officials described the surcharge—and the exemption provided to Blues' plans—as one of fairness.

The surcharge was an effort to "level the playing field," not to give preferential treatment to the Blues, said New York Assistant Attorney General M. Patricia Smith.

Ms. Smith noted that the Blues face higher costs than other plans because state law requires them to be the insurer of "last resort."

When an insurer covers high-risk individuals, its costs will be higher, Ms. Smith said.

But Justice Scalia suggested another interpretation: Maybe Blues' plans' are more expensive because they are not run efficiently.

In discussing the surcharge, Ms. Smith said that health care cost shifting is common in the health care field, adding that hospitals often charge patients covered under commercial policies more to offset the costs of treating the under or uninsured.

But Justice Scalia said the type of cost-shifting Ms. Smith described is a "private ordering." When a state does it, "that is a public ordering," which may "relate" to ERISA plans, he said.

The "nub" of New York's argument, suggested Justice Ruth Bader Ginsburg, is that the state is trying to regulate health care, not employee benefit plans.

Edwin Kneeder, deputy solicitor general at the U.S. Justice Department, said congressional intent in including a pre-emption provision in ERISA was to bar state laws that would affect the

design and administration of benefit plans, especially those of employers operating in different states.

By contrast, the New York law, Mr. Kneeder said, only involves an indirect economic impact on benefit plans.

But Craig Murphy, a partner with Windels, Marx, Davies & Ives in New York, which represents Travelers Insurance Co., said the New York law directs the conduct of benefit plans.

The purpose of the surcharge is to direct health care purchasers into Blues plans, said Mr. Murphy.

The 9% surcharge on HMOs directly affects employer-provided health care plans, noted attorney Harold Iselin, who argued on behalf of the New York State Health Maintenance Organization Conference in Albany, N.Y.

By increasing HMOs' costs, coverage becomes more expensive making it more likely that employers will drop coverage, he said.

The Supreme Court is expected to hand down a decision by spring. **BI**

# Ex-Alaska commissioner joins AIG

Alaska's former director of insurance, **David J. Walsh**, joined American International Group Inc. last week as general counsel-state regulatory affairs for its domestic brokerage group in New York. Mr. Walsh, who also is past president of the National Assn. of Insurance Commissioners, succeeds **Patrick J. Foley**, who is assuming other duties as a vp and associate general counsel.

## Other insurer changes:

**Joseph Saad** named executive vp of Associated International Insurance Co. of Woodland Hills, Calif., and will focus on administrative functions, including claims and human resources.

**Robert A. Wadsworth** named president and chief operating officer of Preferred Mutual Insurance Co. in New Berlin, N.Y., succeeding **Paul O. Stillman**, who will remain

## Comings & Goings: Industry

chairman and CEO.

Also at Preferred Mutual, **Joseph P. DiGasper Jr.** named executive vp, secretary and chief administrative officer.

## Agents/brokers

**Richard Porter** has been appointed CEO of Alexander & Alexander Europe Ltd. He previously was executive director of Alexander & Alexander (U.K.) Ltd. **Ian Falconer**, former chief financial officer of A&A (U.K.), has become chief financial officer of A&A Europe.

**Geoffrey Whitehead**, formerly executive director of A&A (U.K.), has become chief operating officer of the U.K. company.

**Bradley A. Hale** named vp in the Costa Mesa, Calif., office of Johnson & Higgins.

**Louis C. Vivenzio** named vp of Willis Faber North America Inc. in New York.

**Jack Diesing Jr.** named president and CEO of Rollins Hudig Hall of Nebraska Inc. in Omaha, succeeding **Richard M. Coffey**, who will remain chairman.

## Excess/surplus

**Richard F. Maynes** named senior vp of Wexford Underwriting Managers Inc., the New York-based excess workers comp firm for self-insurers.

**James R. Lindsey** named senior

vp in the special risks department at Maclean, Oddy & Associates Inc., a Dallas wholesaler that writes excess workers compensation business and various liability coverages.

**Collins R. "Todd" Smith Jr.** named vp-property department at surplus lines brokerage Dimock & Associates Inc. in San Francisco. Previously, Mr. Smith was assistant vp at Swett & Crawford.

## Reinsurers

**David van Tiem** named vp of the Houston branch of Underwriters Reinsurance Co.

**Richard D. Eckis** named vp and casualty product line manager of SCOR Reinsurance Co.'s treaty department in New York.

## HMOs/PPOs

**David N. Clinton** named vp and chief information officer at RTW Inc., a managed care company based in Minneapolis.

**Thomas J. Garrity** named executive vp and chief financial officer of PCS Health Systems Inc. Previously, he was director of public policy planning and development for Eli Lilly & Co., which acquired PCS in 1994.

## Other suppliers

**J. Randolph Vass** joined Alexander & Alexander Consulting Group as senior consulting actuary in Philadelphia. Previously, he was a managing consultant for The Wyatt Co.

**Daniel I. Simon** and **Laura L. Jackson** joined the law firm of Luce, Forward, Hamilton & Scripps, specializing in insurance and reinsurance liability issues in San Diego and San Francisco, respectively.

**Robert W. Stephens** joined The Manhattan Group Inc., a New York insurance investment banking and consulting firm, as managing director.

# Settlement

Continued from page 3

and private individuals, such as agents, brokers and consultants.

Although other groups, including the Public Risk Management Assn., already work in this area, the institute "shall not be designed to usurp the functions of such organizations" but instead will "provide synergy" among them and supplement existing programs, court filings say.

The national risk database, which will be funded by the foreign defendants in the case, will be designed to help public entities—especially self-insured ones—"to understand, track and better control tort liability, workers compensation and other related risks of performing public services," say court papers.

Workers compensation and liability loss data will be collected, compiled analyzed and disseminated. Data will be broken down on a national, state and regional basis and by type of public entity, such as cities, counties and school districts.

The Sacramento-based California Institute for Public Risk Analysis, formed in 1990, which has created a statewide database, is expected to act as a model, said Greg Trout, a consultant at Advanced Risk Management Techniques Inc. in Lake Forest, Calif. He is also secretary of the California institute and has been a consultant to the attorneys general in the settlement negotiations.

Numerous decisions have yet to be made about both facilities, including how much coordination and interaction there will be between the two, he said.

He said other ideas that had been proposed as part of settlement negotiations but ultimately rejected included creating a new excess insurance facility and trying to create an environmental liability insurance facility.

"There were lots of ideas floating around," Mr. Trout said.

Public entity risk managers said both organizations could prove useful if well organized and run.

If the database is done properly, "I think it will be extremely valuable," said Tom Vance, risk manager for Anaheim, Calif., and a vp of the California institute.

He said he was concerned that PERI's administrative costs would take up too much of the funding. "That can be as good or as ineffective as the organization makes it, and I hope that it will be good."

"I think the database is going to

be useful specifically in two areas," said Dennis Kirschbaum, PRIMA's executive director. It will help entities that self-insure to compare themselves with others to help monitor the effectiveness of their risk management programs, and it will help them determine how much should be set aside in reserves, he said.

Mr. Kirschbaum noted that PRIMA has tried to set up a national database on its own but has been unable to obtain funding.

"We're still a little unclear what exactly PERI's scope is going to be," he said. But, "I think there's a lot of potential there."

"I see some real opportunity for PERI to get into some areas that really haven't been accessible to PRIMA" because it has not had the financial resources to establish these types of programs, Mr. Kirschbaum said.

Elizabeth E. Puddington, executive director of the New Hampshire School Board's insurance trust, said the database can "make it a lot easier for people to do real risk management" because they can compare their performance with others' and decide on appropriate risk retention and risk finance methods. "We'll know what works and what doesn't work."

She added that PERI could play a significant role if it becomes, in effect, a research and development organization, using data from the national base to pinpoint needs and perhaps even do pilot testing of different types of loss control.

"I think our concern is that (the designated funds) be spent in ways that provide lasting benefits to entities," she said.

William M. Rubenstein, assistant attorney general for Connecticut, noted that numerous other proposals on PERI had been "floating around" before the final one that was submitted to the court Dec. 13 was developed.

For instance, one proposal obtained by *Business Insurance* suggested that more than \$25 million—including investment income—be spent over 10 years to staff and operate PERI.

The College of Insurance's Dr. Throwing said she was concerned because the settlement permits the institute to spend both its principal and its investment income. She noted the language of the settlement says only the initial \$21 million "may" be eventually replaced through fees for services and other sources of income.

This funding is a once-in-a-lifetime opportunity to benefit risk

management, said Dr. Throwing, and "if all this money is spent after 10 years, it will be tragic." Instead, she said, perhaps \$15 million should be turned into a permanent endowment that could provide annual income.

The two risk management facilities that were given preliminary approval by the court last week are the end result of antitrust litigation that began in 1988. Twenty states alleged that the defendants—which included major U.S. insurers, reinsurers, the Insurance Services Office Inc., the Reinsurance Assn. of America and several London underwriters—had engaged in a "boycott" to force changes in ISO's commercial general liability policy form to manipulate the U.S. liability insurance market (*BI*, March 28, 1988).

Under the McCarran-Ferguson Act, insurers are exempt from most federal antitrust laws but not a prohibition on boycotts.

The case was finally settled after a long and complicated legal path took it from the U.S. District Court in San Francisco to the U.S. Supreme Court and back again to the district court level.

As part of the settlement, insurers agreed to end their domination of ISO, which develops standardized policy language and compiles aggregate data that property/casualty insurers use to set rates.

Following the settlement agreement, ISO's voting members approved organizational changes that will make ISO independent of insurer control later this year (*BI*, Dec. 12, 1994). **BI**

# Alexsis

Continued from page 3

tomized unbundled and bundled insurance and claims services, Mr. Chookaszian said. "It's essentially the other half of ServCo."

ServCo will not be formally merged with Alexsis but will transfer some business to the firm. CNA has not decided whether ServCo and Continental Risk Management will be combined.

Alexsis primarily administers workers compensation and general liability claims for about 1,000 self-insured clients nationwide. It has 60 offices and 1,325 employees. Mr. Chookaszian said no significant staff cuts are planned.

CNA plans to operate Alexsis as a free-standing company that will maintain its corporate name and its Livonia, Mich., headquarters, the spokeswoman said. It will become a subsidiary of CNA's Continental Casualty Co. unit.

Kevin J. Smith will remain chairman and chief executive officer of Alexsis.

Alexsis' gross revenues rose 6.3% to \$101 million in 1994 from \$95 million in 1993. In 1993, Alexsis was the fifth-largest U.S. property/casualty TPA based on 1992 claims paid for self-insured clients, as well as the 10th-largest among property/casualty and benefit claims administrators (*BI*, Feb. 7, 1994).

A&A expects the Alexsis transaction, which is subject to regulatory approval, to close before the end of March.

Alexsis did produce "handsome

revenues," an A&A spokesman said.

However, he added, "it was not part of the core business focus" that Frank G. Zarb brought to the ailing company when he took over as chief executive officer early last year (*BI*, June 13, 1994).

A&A's core businesses include insurance brokerage, and risk management and human resource management consulting.

"We felt the capital freed by the transaction could be used for general corporate and investment purposes," the spokesman said.

He added that A&A did not put Alexsis on the block, but was actually approached with more than one offer to buy it.

In a related move, A&A also recently sold back its minority interest in Noble Grossart Holdings Ltd., a privately held U.K. merchant bank, for \$7.2 million.

In November, A&A completed the \$30 million sale of its U.S. personal lines business to Chubb Corp.'s Personal Lines Insurance Brokerage Inc. unit.

A&A expects to add a \$20 million pretax gain to its 1994 fourth-quarter results reflecting the personal lines sale (*BI*, Nov. 21, 1994).

It also anticipates a \$30 million pretax gain in the first quarter of 1995 when the Alexsis transaction closes.

Despite the cash infusions, A&A said it expects to report a significant loss for the fourth quarter of 1994, as well as the full year, due to restructuring and other charges. Results will be published next month. **BI**

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# Reform

Continued from page 1

Republican legislators has introduced a bill, the "Health Reform Simplification Act," that would eliminate or scale back several aspects of the reform law, including:

- A requirement that all employers offer coverage.
- The request for an ERISA waiver.
- A standard benefits package.
- Community rating.
- A state commission set up to implement the reform law.

The Republican bill would also expand the Basic Health Plan, which provides subsidized coverage to poor people not eligible for Medicaid; allow employers or individuals to set up medical savings accounts; and make health benefits more portable by requiring insurers to waive pre-existing condition exclusions for those who had similar coverage under a previous plan.

The bill is intended to be a referendum and, if passed by the Legislature, it would be voted on in November.

Opponents contend that the Republican proposal would undercut many of the reforms in the Health Services Act of 1993, some of

which are set to take effect July 1.

"The only thing (Republicans) are willing to hang on to are the insurance reforms that are extremely popular," said Pam MacEwan, one of six members of the Washington Health Services Commission, which implements the 1993 reforms. "It's a way to scuttle health care reform. They don't really want to say 'We're going to repeal health care reform.' So they are doing it in subtle ways, and (they) hope people will not notice."

Republicans say they do support insurance reforms in the earlier legislation, but want to scrap government mandates and protect employer and employee choice.

"Our goals are to increase access to health care and make insurance affordable to everybody, to protect choice, to preserve quality, and to eliminate government intrusion," said Sen. John Moyer of Spokane, the ranking Republican on the Senate Health and Long-Term Care Committee.

Goals may also be changing in Oregon, another state considered to be a national reform model (BI, Oct. 4, 1993). Oregon officials are still trying to obtain an ERISA waiver to implement an employer mandate, but are also studying a fall back position, said George Osertag, a senior analyst with the

Oregon Office of Health Plan Administrator.

Eventually, an Oregon fall back position could resemble the recommendations being made in Washington state, such as insurance underwriting reform and tax incentives for employers, he said.

In Washington, the employer mandate was designed to make universal coverage an obtainable goal. Self-insurers would have to contract for services with a certified plan or try to get their own plans certified, which would probably not be an attractive option because certified plans would have to take all comers.

In case Congress does not waive the ERISA restriction on state laws that "relate to" benefit plans, the Washington Health Services Commission is considering how to encourage employers to offer coverage. Options include direct premium subsidies for low-income employees, voluntary small business purchasing groups, and tax credits for employers.

Also, the commissioner wants to move back the date when health insurers must become "certified health plans," offering a minimum benefits package to everyone.

The commission is recommending that certification begin on Oct. 1, rather than in July, as the law

requires, and that new coverage be phased in from Feb. 1, 1996 through Jan. 31, 1997.

Despite the proposed changes, the commission's Ms. MacEwan said reform is still possible, though it will come slowly, with insurance reform a compromise point.

Yet, she contends, leaving reform to the states amounts to hypocrisy if Congress will not waive ERISA.

"I wouldn't say it's the death knell," Ms. MacEwan said. "It changes the nature of what we are going to do. It slows us down."

"We had a true bona fide plan for uniform coverage," she added. "You don't get closer to health care reform than that. It's the whole enchilada. We can still go forward and reform insurance."

Both universal coverage and insurance reforms appear to have widespread support in the state.

"In Washington state there seems to be bipartisan support for continuing the health care reform effort," said Otis Gillaspie, a principal in Seattle with A. Foster Higgins & Co. Inc. By reform, he means underwriting constraints and assurance that all residents will have access to medical care.

A statewide poll by First Choice Health Network, a preferred provider network, found last fall that

48% of respondents wanted Washington lawmakers to continue implementing health care reforms if Congress failed to pass a plan.

But businesses do not want mandates, said Carol Monohon, governmental affairs director of health policy for the Assn. of Washington Businesses in Olympia.

"There is a desire to have a health care system in Washington that people have access to," she said. "It should be affordable and accessible. They want something that works, but they don't want the government that involved."

Others say they are tired of lawmakers and the commission recommending reform policies then suggesting changes.

"Give me something to look at and then I will look at it," said Steve Brown, a benefits analyst for Nordstrom Inc. in Seattle, who said following the saga blow by blow can be a waste of time.

"Until you get down to knowing for a fact what is going to happen there is no need to waste a lot of energy on it," agreed Charles Holmes, director of industrial relations for Tacoma Boatbuilding in Tacoma, Wash. "I found out a long time ago there is no need to get upset until you know what is going to be." **BI**

# Monarch

Continued from page 2

Larry E. Reid, who identifies himself as a regulatory and marketing consultant for the three companies, was previously chairman of Intrepid Insurance Co., a West Virginia insurer that he helped form in 1988, and which collapsed in 1991.

IMG was incorporated in Ireland last year by Aston Corporate Trustees Ltd., an Isle of Man firm whose representatives include Paul Yorke-Wade, former president of the defunct Victoria Insurance Co. and a former associate of the late insurance con man Alan Teale.

Mr. Yorke-Wade denies any involvement with American Fire.

Edward E. Grzelakowski, a principal of IMG, refused to answer questions about Monarch.

A Monarch financial statement dated Aug. 31, 1994, reports total assets of "40.8 million," but does not specify the currency or describe the assets. The statement was audited by Vijay Kapoor, a Burke, Va., accountant who is an employee of the Indian embassy in Washington.

Reached at the embassy, Mr. Kapoor said the assets consist of a single \$40.8 million certificate of deposit with an Irish bank, the name of which he could not remember.

In conducting his audit, Mr. Kapoor said he used a photocopy of the CD provided by Mr. Grzelakowski. He said that he asked IMG to send the original CD for verification and that Mr. Grzelakowski promised to have the bank send an authenticated copy directly to Mr. Kapoor before Christmas. Mr. Kapoor said he has not yet heard from the bank.

Asked who owned Monarch, Mr. Kapoor said he believed the owners included Mr. Grzelakowski and Mr. Reid. Mr. Reid denied this, though, saying he is "strictly a consultant" to Monarch, American Fire and IMG. Mr. Reid added that as he understands it, Monarch is based in Belgium. A Belgian insurance regulator, however, said Monarch is not licensed as an insurer there.

American Fire's domicile was similarly difficult for regulators to pin down: The insurer claimed to be registered in Liberia and Panama, though Alaska investigators questioned the validity of the Liberian registry and found the insurer's Monrovia, Liberia, address was a burned-out building.

American Fire also used a Bermuda address that turned out to be a rented mail box. Bermuda regulators ordered Mr. Grzelakowski to cease in February 1994.

Like American Fire, Monarch is

soliciting marine business in the United States without a license or surplus lines authority on the basis of the exemption several states provide for ocean marine insurance, Mr. Reid confirmed.

Asked about the Louisiana cease and desist order, he replied, "That's news to me. I thought ocean marine was pretty much deregulated... and insurance departments don't have a lot to say about it."

A Louisiana administrative law judge last week ruled that two American Fire policies issued through Marine Marketing Services did not constitute "ocean marine" coverage, and fined American Fire \$20,000 and Marine Marketing \$10,000. American Fire last year denied a theft claim from one of the policyholders, who has since won a roughly \$25,000 default judgment against the insurer in a Louisiana court.

Meanwhile, several of those involved with IMG, American Fire and Monarch also have ties to two Belgian reinsurers. They are:

- Preservation Reinsurance Co., whose directors include Aston Trustees.

A January 1994 notice of Preservation Re's formation published in a Belgian journal also noted that Mr. Reid had been granted authority by Preservation Re's board to act on

the reinsurer's behalf in commercial and administrative matters.

In an interview, Mr. Reid said he is "not familiar" with Preservation Re. "I'm just a consultant. People come to me with questions and I try to find answers for them."

- Metropolitan Reinsurance Co., whose directors include Sargom Co. Ltd. of Ireland. Sargom officials include Gillian N. Caine, a director, and Susan C. Cubbon, corporate secretary. Each holds the same title with Aston Trustees.

Ms. Caine and Ms. Cubbon—who could not be reached—are also director and secretary, respectively, of Azteca Insurances S.A., an unli-

censed Uruguayan insurer drawing regulatory scrutiny in the United States (BI, Jan. 2).

Sargom's Dublin address is the same one that houses IMG and Corporate & Trust Administration Services Ltd., another of Mr. Yorke-Wade's firms, documents show.

Mr. Grzelakowski said that many companies are located in IMG's office building, that he has never heard of Sargom and that he could not comment on Preservation Re or Metropolitan Re.

Metropolitan Re is unrelated to a Metropolitan Life Insurance Co. unit of the same name that was sold in 1990. **BI**

# Comp suit

Continued from page 3

elected to paint all medical providers with the same broad brush. They have categorized all providers as fraudulent," he said.

But Mr. Bleser insisted that NPI—which provides surgical pain relief treatment, such as nerve blocks and epidural anesthesia—is a legitimate medical provider.

"We're not in the stress management business. We stick a six-inch needle into somebody's spine or open up their chest cavity to put a morphine pump in it. When people come to us, they are hurting," he said.

Insurer defendants in the suit declined to comment. They include the State Compensation Insurance Fund, Fremont Compensation Insurance Co., Liberty Mutual Insurance Co., California Compensation Insurance Co. and Pacific Rim Assurance Co.

However, a spokesman for the Coalition of California Compensation Cos. in Sacramento admitted that the lack of an administrative recourse for medical providers under existing workers comp law has created a more contentious claims-paying environment in the state.

"Indirectly, the reforms are giving more latitude to insurers and employers to deny claims payment to vendors," said Mark Webb, an associate with Richard Robinson & Associates in Sacramento, a consulting and lobbying firm that

represents the coalition.

In addition, the Jan. 1, 1995, repeal of the workers comp minimum rate law will force insurers to be even more cost-conscious as they lower rates to compete for market share, he predicted.

"Rather than pay based on the merit of the claim, insurers are under pressure to engage in defensive claims handling," he explained.

Unfortunately, "the more (providers) use the Superior Court to resolve these issues, the more this system is going to unravel," Mr. Webb warned.

Instead, he suggested, providers should seek redress through the Workers Compensation Appeals Board, which is developing a system for handling provider complaints. The board was established after a state appeals court ruling, *Beverly Hills Multispecialty Group vs. Workers Compensation Appeals Board*, found a provider was denied due process by a workers comp judge (BI, July 18, 1994).

The NPI suit is the second legal action to allege that workers comp insurers are using the state's anti-fraud laws to delay and/or refuse payment to medical providers.

A \$115 million suit filed in November 1993 by Irvine, Calif.-based Tricare Inc. is pending before L.A. Superior Court.

*NPI Medical Group, et al. vs. State Compensation Insurance Fund, et al., No. BC 116099, Calif. Sup. Ct., Jan. 6, 1995.*

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## INTERNATIONAL

## First come, first served in E&amp;O cases: Court

By ADRIAN LADBURY

LONDON—Lloyd's of London members who are "first past the post" likely will have the best chance of recovering funds from agents' errors and omissions underwriters, following a ruling last week by the U.K. High Court.

The ruling could prompt more members action groups to attempt to hold other sources, such as brokers or auditors, liable for syndicate losses. In addition, it could encourage agents to look at a proposed marketwide settlement in a whole new light.

Together, the 44 members action groups suing members and managing agents claim they are due roughly £3 billion (\$4.7 billion), ac-

ording to a Gooda Walker Action Group estimate, but only about £1 billion (\$1.6 billion) is available from the agents' errors and omissions insurers.

The court's ruling means that members action groups like Gooda Walker that are further ahead in the litigation process could well exhaust the resources of the agents' E&O coverage, leaving limited funds for other groups that are further behind.

The court also ruled that the E&O insurers must honor any interim payments the court awards to the groups; that the insurers are liable for interest payments back to when the groups filed their claims against the agents; and that, in the Gooda Walker case, the losses were the result of three originating causes

rather than one, thus triggering three policy reinstatements, not one as claimed by the underwriters.

The Gooda Walker Action Group estimates that these policy rulings could provide them with £180 million (\$282.2 million) in damages, comprising £80 million (\$125.4 million) in interest and £100 million (\$156.8 million) in payments owed due to the reinstatements, which otherwise would not have been available. This £180 million is part of the maximum £502 million (\$787.2 million) Gooda Walker members estimate their judgment may be worth. Actual damages will be assessed in a separate trial later this year.

Groups that are further behind in the litigation process promise to continue with their efforts and may now

focus more on other potential sources of damages such as auditors and brokers.

Members action group leaders also said the ruling will strengthen their bargaining position in ongoing negotiations for a proposed settlement with the E&O insurers.

The judgment was handed down last Monday by Justice Phillips in response to a claim made by the E&O underwriters, who wanted to resolve the "first past the post" and other policy issues (*BI*, Dec. 19, 1994).

The E&O underwriters were in rare agreement with the Gooda Walker Action Group in calling for the court to uphold the "first come, first served" principle.

The Feltrim Names Assn., which hopes for a ruling on the question of

liability a week after the Gooda Walker members are given a ruling on interim payments on Feb. 6., professed to be neutral on the issue.

Other action groups less advanced in the litigation process, mainly those with claims based on long-tail losses, said that the system advocated by the court was unfair. Those members would rather have all cases adjudicated, after which members would receive equal payments from a special fund set up to disburse agents' E&O coverage proceeds.

Justice Phillips said he supported the long-tail group's claims in principle, but added that he could see no practical solution to the problem.

He said those groups' attorneys had been unable to persuade him

*Continued on next page*

## Equitas on track: Hutter

LONDON—Lloyd's of London syndicates can expect to know this summer the level of reserves required by Equitas Ltd., the runoff reinsurer formed to "ringfence" the syndicates' pre-1986 liabilities, says the project's director.



Ms. Hutter

Over the past year, Lloyd's has made substantial progress in forming the company, said Heidi Hutter.

Equitas' syndicate extrapolation committee, headed by former

Lloyd's underwriter Robin Jackson, has compiled more than 5,000 pages of data from 380 syndicates on pre-1986 liabilities and reserves. The third in a series of detailed questionnaires used to gather the data was sent out in December.

Two other teams—the macro and micro committees—have recently merged to examine the implications of asbestos- and pollution-related liabilities. They have gathered information on how many people are likely to contract asbestos-related diseases, how much asbestos makers may pay to compensate them, how much insurers are likely to pay and what portion of that is Lloyd's.

"I really do believe that we are leading the insurance industry in this

field," Ms. Hutter said in a crowded lunchtime speech at the Insurance Institute of London. "This is not an approach that insurers generally adopt—even when they may have major exposures to latent liabilities."

Meanwhile, Equitas' reinsurance working party is examining syndicates' reinsurance recoverables and has collated a list of 5,081 reinsurers covering 54,000 reinsurance policies.

"From the information we already have available, we believe that the reserving position of the Lloyd's market for pollution and asbestos liabilities compares quite favorably with that of other insurers, particularly in the U.S.," she said.

But, she again would not give any indication of Lloyd's reserves or the level of reinsurance premium members would have to pay when Equitas becomes a full-fledged company at the beginning of next year.

"Many names would like to see this information sooner," she admitted. "So would I. In a few areas, we could perhaps speed the process up by cutting corners. But I do not believe that this would be in the interests of names. I believe we owe it to names to price the reinsurance of these liabilities into Equitas with great care and thoroughness."

Just a year ago, the project employed only a few people. It now has a staff of 103.

—By Stacy Shapiro

## Bank invests in Methuen

LONDON—The Phoenix Partnership, a London-based investment banking firm, has become a joint owner of a new company that has acquired the holding company for Lloyd's of London managing agency Methuen (Lloyd's Underwriting Agents) Ltd.

The new company, Methuen Group Ltd., marks the first direct investment by an investment bank into a Lloyd's entity in at least five years. Banks have set up corporate capital ventures and have been involved in mergers and acquisitions of agents and brokers, though.

Methuen Group Ltd., owned jointly by Phoenix and the executive management of Methuen Holdings Ltd., completed the acquisition last week. Cliff Hampton, a partner at Phoenix, will serve as chairman of Methuen Group. Leslie Goodman, who joined Methuen Oct. 1 from Jardine Members Agency, continues as chief executive.

Phoenix, which is 20% owned by Mitsubishi Corp. of Japan, has been looking for opportunities at Lloyd's since last year, when the firm failed to put together a U.S. corporate capital vehicle (*BI*, Aug. 29, 1994). Buying into the Methuen agency "is a fascinating and interesting opportunity," said Mr. Hampton. He said the partnership also suits Methuen, which was looking for ongoing interests to buy the shares of retiring directors such as Peter Chandler.

Methuen now hopes to expand its underwriting activity by acquiring other managing agencies or syndicates, both executives said. Methuen already manages four syndicates with capacity this year totaling £290 million (\$453.9 at the year-end 1994 exchange rate), including the "Ariel" aviation syndicate 48 and marine syndicate 483.

—By Stacy Shapiro

Cunard faces lawsuit  
Passengers claim cruise ship put their safety at risk

By ADRIAN LADBURY

LONDON—Cunard Steamship Co. P.L.C., which has already set aside \$11.6 million to reimburse passengers on a recent voyage of its luxury liner "Queen Elizabeth 2," is facing a lawsuit from passengers on that voyage who claim they were placed in a "life-threatening situation."

A Florida law professor claims that as many as 92 of her fellow passengers on the now-infamous September 1994 trip from Southampton, England, to New York are willing to join in a suit. She has hired New York plaintiff firm Kreindler & Kreindler, which planned to file the suit in New York late last week. The suit would seek class-action status and \$40 million in damages.

Many passengers have already accepted London-based Cunard's offer to reimburse those who were unable to travel or were dissatisfied with the trip because of unfinished fitting and repair work that was carried out during the voyage.

Cunard will not say whether it has any insurance that would cover its offer to passengers or any damage awards. The company says that any legal action is unlikely to have a "material" effect on the firm.

The passage of the QE 2 to New York drew international attention when Cunard failed to complete refitting work on time, but went ahead with a Sept. 17 sailing date and arranged to have three contractors complete the repairs during the voyage.

The refitting, which had begun in Hamburg, Germany, followed emergency repairs after the QE 2 ran aground off Massachusetts in 1992 (*BI*, Aug. 8, 1992).

A spokesman said that Cunard contacted 300 of the 570 passengers it calculated would be inconvenienced by the continuing work before they reached the dock and discouraged them from turning up.

The other 270 passengers in that group still showed up, but 190 voluntarily accepted compensation and did not board. The remaining 80 insisted on boarding.

Altogether, about 700 passengers made the voyage.

Cunard, a unit of London property, construction and engineering firm Trafalgar House P.L.C., has now offered a total of £7.5 million (\$11.6 million) to almost 600 of the 1,200 passengers who were originally due to sail on the Sept. 17 trip. Trafalgar House said compensation was offered "by way of fare, refunds, free or discounted future voyages and cash sums."

Some passengers are unsatisfied with those offers.

Christine Hall, a law professor at Nova Southeastern University in Fort Lauderdale, Fla., says she was offered four different compensation packages by Cunard during her two-and-a-half week "ordeal" but refused each one as inadequate.

She said passengers were in constant fear of their lives because the contractors blocked fire doors and emergency exits as they worked.

Ms. Hall also said she was informed by undisclosed



A group of passengers alleges conditions on a 1994 trans-Atlantic voyage on the Queen Elizabeth 2 were life threatening.

sources that the uncompleted work exposed passengers, crew and the contract workers to asbestos.

A Cunard spokesman said last week that asbestos had been removed from the vessel during the refit but denied it had caused any harm and challenged Ms. Hall to produce evidence. "It would be very useful if she were to show us that evidence. Asbestos was removed from the ship but was carried out in accordance with all specifications," he said. He was unable to say whether or not the asbestos had been removed before or after it left Southampton for New York.

Ms. Hall said the case was greatly strengthened when the U.S. Coast Guard in New York refused to let the QE 2 leave port for 1½ days because officials did not consider the vessel seaworthy. A spokesman for the Coast Guard in New York said the vessel had been detained but could not say why or for how long.

Ray Coxon, group insurance manager at Trafalgar House, which arranges Cunard's property/casualty insurance, would not comment on whether Cunard has coverage for either the money already set aside for compensation or any damage awards.

Cunard's hull and business interruption coverage is placed by Jardine Insurance Brokers International Ltd. of London and led by Commercial Union Assurance Co. P.L.C. of London. The QE 2 is registered with The Steamship Mutual Underwriting Assn. (Bermuda) Ltd., a P&I club. Neither the broker nor the insurers would comment on whether Cunard has specific coverage that would apply to either its reimbursement offer or any damages.

London marine insurance experts say that if Cunard's exposure is covered by insurance it would most likely be under what is known as a "passenger money" policy, which is designed to indemnify ship-owners for reimbursement of passengers' fares if trips are aborted. They say this type of coverage is becoming scarce in London, though, because of high claims in recent years. One underwriter cited Cunard's 1992 loss as a typical example of such claims.

A broker added, though, that "if anyone has it anymore it's likely to be Cunard."

## INTERNATIONAL

# Benefit managers to export more managed care

## Rising demand for overseas health care prompts expansion

By CHRISTINE WOOLSEY

Many benefits executives at U.S.-based multinationals expect their companies' overseas health benefit costs to rise by 10% or more annually over the next five years, a recent survey says.

One factor in the rising costs is expected to be a growing demand from employees in countries with nationalized health systems for services outside the public system.

Sixty-two percent of 300 international group health benefit managers polled by AIG Managed Care Inc., a unit of American International Group Inc. in New York, said they have experienced

such demands and, of those, 45% said the demand has increased in recent years.

That demand will significantly affect the costs of overseas health benefits, benefit managers say.

Twenty-four percent of those polled expect their non-U.S. health benefit costs to increase 15% or more over the next five years, while 35% of those polled estimate cost increases of 10% to 14%. Twenty-nine percent predict an increase of 5% to 9%. Only 6% predict the rate of increase to be less than 5% over the next five years. Roughly 7% were unsure or refused to answer.

To battle rising costs, benefit

managers plan to export U.S.-style managed care techniques to their non-U.S. locations. In fact, 47% predict an increase in the use of managed care techniques abroad over the next five years.

The benefit managers surveyed represent 1,200 U.S. multinationals with operations or joint ventures in Asia, the Far East, the Pacific Rim, Latin America and Europe.

The survey indicated that benefit managers with self-funded health care programs were less likely to be as concerned about cost control than their counterparts at companies that buy commercial coverage.

The vast majority—91%—of the multinationals surveyed use at least one method of managed care to control the cost of international benefits, including such things as wellness programs, large case management for serious injuries or long-term illnesses, pre-authorization of hospital admissions and provider bill audits.

Multinationals are less likely to use preferred provider organizations, discharge planning services and health maintenance organizations to control international benefits costs.

Twenty-two percent of benefit managers surveyed said large case management was the most effective strategy in containing costs of overseas health care benefits.

Fourteen percent cited pre-authorization for hospital admissions as most effective and 13% cited wellness programs, such as well-baby care, cholesterol screening and smoking cessation.

In looking to the next five years, the top three changes envisioned by the benefit managers polled were: increasing the costs of coverage for employees; increasing the range of benefits offered; and implementing more centralized decision making.

The survey also found that 30% of the benefit managers expect to make no changes to their overseas benefit plans over the next five years.

For a free copy of the "AIG Managed Care Monitor" containing the survey, contact Peter Small at 212-770-7663.

## Members

Continued from previous page  
that creating a special fund to distribute the funds available from the agents' E&O insurers would be possible "either in law or practice."

Michael Deeney, chairman of the Gooda Walker group, claimed the ruling was an "important" victory that justified his decision to seek an early ruling on the group's claims. He said that it would have been unfair for Gooda Walker members to wait for all other cases to be heard before receiving damages. He added that he believes there is sufficient E&O insurance money to go around.

"It is not correct to say that we will 'scoop the pot.' We estimate that the insurance that will respond to our claims is somewhere around 30% of the total cover that will respond to the litigation. Action groups which get judgments in the next year or two, such as Feltrim, will still obtain substantial recoveries," he said.

The long-tail groups say they will not be deterred by the ruling.

"We are disappointed with the ruling but it did not really come as a great surprise. Justice Cresswell made it clear last year which were the most significant cases and which were to be advanced at an early stage. I think Gooda Walker knew from an early stage that there was a good chance it would be first past the post and all credit to them," said Christopher Messer, chairman of the Janson Green Action Group and deputy chairman of Cuthbert Heath 404 Names Assn., which were represented in the court and had argued for the creation of a trust fund to manage the equitable distribution of E&O coverage to members who won their cases in court.

"This will certainly not prevent us from continuing, though," said Mr. Messer, who recently also was elected an external member of the Council of Lloyd's. "We hope to bring our case against the agents by 1996 and the auditors are very high on our list," he said, adding the suit will be pursued with utmost vigor.

Action groups say the ruling will increase pressure on Lloyd's to help along a settlement largely because the ruling means that payments will be made far more quickly now. Members feel that if Lloyd's wants to keep the payments within the market as part of a settlement package, it will have to offer a deal fast.

"The pressure will be on Lloyd's to produce a settlement now. The nearer one gets to an interim payment the better...for us. One wonders at the reaction of Lloyd's once we get the money in our hands, even if it is only a small percentage," said Sarah Gibb, group secretary of the Gooda Walker Action Group. ■

## JUST WHEN HIGH LOSS COSTS HAD



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# Bomb threat exposure

Report recommends assessment teams for total disaster management

By MARK A. HOFMANN

NEW YORK—Dealing with bomb threats should be part of any total disaster management and preparedness program, advises a recent report by the American Insurance Services Group.

The 1993 World Trade Center bombing and a slow but steady increase in the incidence of bomb threats and detonations in recent years prompted the AISG to update an earlier report on dealing with bomb threats and send it to its member insurance companies a few weeks ago, said Allan M. Apo, manager-crime prevention for the AISG in New York.

The earlier report was issued in

1991, amid concerns over fallout from the Gulf War, he said.

"Many companies have some sort of disaster management program in place. Now many are creating total disaster management programs, and bomb threats should be one element of this program. I think that is what is lacking many times," said Mr. Apo.

For example, a West Coast company might have a disaster response program for earthquakes but fail to make provisions for bomb threats, he said. Fitting a response to bomb threats into that program simply makes sense, he said.

Risk managers have a key role to play in their organization's

preparations for possible bomb threats. "The first thing they need to do is put in place a threat assessment team," said Mr. Apo said. The team should review and analyze the past history of threats to the company to see if a problem exists. Based upon that analysis, the team would develop the response program and should an incident occur, the team would manage the situation in coordination with local authorities. The risk manager should "absolutely" be part of that team.

Others who should serve on the team include representatives of security and safety departments—both of which may be the risk manager's responsibility. Hu-



A3/WIDE WORLD

The 1993 World Trade Center bombing was a risk manager wake-up call.

man resources and perhaps the financial area should also be represented, and in some cases an em-

ployee or union representative should be appointed to the team, Mr. Apo said. The team also needs to seek advice from local fire and public officials on how to meet the exposure, he said.

The AISG report notes that companies should prepare for bomb threats long before they receive any by establishing 'clear-cut levels of authority' and procedures for dealing with the risk.

For example, the report recommends that "a control center or command post should be designated. This control center should be located in the switchboard room or other focal point of telephone or radio communications. The personnel assigned to operate the control center should have decision-making authority on the action to be taken during the threat. Only those with assigned duties should be permitted in the control center. Provisions should be made for substitutes in the event someone is absent when the threat is received."

The report also recommends that all personnel be instructed in the procedures that should be followed when a bomb threat is received.

"At a minimum, every telephone operator or receptionist should be trained to respond calmly to a bomb threat call" according to the report.

"In addition, it is always desirable that more than one person listen in on the call. To do this, have a covert signaling system, perhaps a coded buzzer signal. . . . A calm response to the bomb threat could result in getting additional information. This is especially true if the caller wishes to avoid injuries or deaths. If told that the building is occupied or cannot be evacuated in time, the bomber may be willing to give more specific information on the bomb's location," says the report.

The report advocates giving personnel likely to receive bomb threats a checklist like that prepared by the Federal Bureau of Investigation's Bomb Data Center in Washington.

The checklist includes a list of questions to ask the caller and a list of adjectives such as "slurred," "calm" and "familiar" that could describe the caller's voice and a list of noises such as "crockery" and "factory machinery" to listen for in the background.

Of course, not all threats are made by telephone, and the report also details how to deal with written threats and the possibility of receiving unannounced letter and package bombs.

The report is not directly available to the public. Mr. Apo suggested that risk managers interested in more information on the report and bomb threats should contact their insurers. **B**

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FOLLOW THE LEADER.

# Superfund

Continued from page 2

Those groups were the RAA, the Alliance of American Insurers, the American Insurance Assn., the Council of Insurance Agents & Brokers, the National Assn. of Independent Insurers and the National Assn. of Mutual Insurance Cos. (BI, Dec. 19, 1994).

"I'm delighted that the industry is working together to try and participate in a rational reform of Superfund and I'm optimistic that that unity will continue into the future because the overall goal of reform is important to every company in the industry, whether or not they have exposure to environmental liability or not," said David M. Farmer, senior vp-federal affairs in the Alliance's Washington office. The Alliance was one of 11 signatories of the letter.

"We don't want the perfect to

become the enemy of good. We think this is a very good start. There is a decidedly harmonious tone to all of our discussions that is a refreshing break from the tone of last year," said Joel Wood, vp-government affairs for the Council in Washington, which also signed the letter.

Meanwhile, the Risk & Insurance Management Society Inc. expects to issue its own principles for Superfund reform soon, perhaps by the end of this week. RIMS, however, views the insurer principles very positively.

"We think it's a good move. When our principles come out, they should be generally supportive of the insurers' position," said Paul Brown, RIMS' director of government affairs.

The working group's five principles, which were endorsed by five additional trade associations, are spelled out in a letter sent to each member of the House and Senate

on Jan. 18.

"The Superfund program, as it currently exists, does not work. Quick fixes and 'Band-Aid' solutions have been tried before, to no avail. Fundamental change is necessary so that Superfund can achieve its real purpose: rapidly and efficiently protecting human health and the environment," the letter states.

To achieve that end, the industry groups put forth five core principles:

- Repeal of strict, retroactive and joint and several liability for cleaning up waste disposed legally before 1987. Proportional liability would govern cleanup costs levied for post-1987 acts.

- Cleanups would be conducted within "the confines of an annual federal budget." Mr. Nutter noted that the program currently raises taxes but has no set budget for expenditures. This principle would require the program to have an

overall budget, thus bringing fiscal discipline into Superfund by forcing administrators to make decisions on priorities and cleanup standards, he said.

- Risk assessment and cleanup standards should be responsible, practical and based on a cost/benefit analysis of the risk to human health.

- Revenue raised under Superfund should be spent on cleanup, with administrative and transaction costs being minimized.

- Superfund reform should include provisions to encourage similar improvement in state environmental cleanup programs.

Besides the six associations that drafted the principles, other signatories were the Assn. of British Insurers, the Independent Insurance Agents of America, the Institute of London Underwriters, the National Assn. of Insurance Brokers and the National Assn. of Professional Insurance Agents.

The Council's Mr. Wood that lack of a financing suggestion "would have hurt if we were hearing a different message from the congressional Republicans." But the GOP leadership has not asked the business community to offer a specific plan for making up cleanup revenues lost by the changes to the liability scheme, he said. Mr. Wood said the chief Senate player in the Superfund debate—Sen. Robert Smith, R-N.H.—has indicated he'd like to have a bill completed by Labor Day.

Mr. Wood said he has an "enormous sense of optimism that working together within our industry and within the larger business community that the political dynamic exists in Congress to radically reshape this program," though he added that the Clinton administration may favor a different approach to Superfund reform. **BI**

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### Business Insurance Circulation Breakdown

#### Commercial Consumers

**Administrative:**  
CEO's, Presidents, and Owners, ..... 2,528  
Vice Presidents, General Managers and Other Administrative Personnel ..... 4,118

**Financial:**  
Chief Financial Officers and Vice Presidents of Finance ..... 2,171  
Secretaries, Treasurers, controllers and other Financial Personnel ..... 3,335

**Risk/Employee Benefits:**  
Vice Presidents, Directors, Managers, and other related department personnel of: insurance, risk employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations ..... 16,157  
**Sub-total** ..... **28,309**  
Associations ..... 369  
Government, Unions and Educational Institutions ..... 974

**Commercial Consumers**  
**Sub-total** ..... **29,652**  
Insurance Agents and Brokers ..... 8,408  
Insurance Companies ..... 8,181  
Accountants, Actuaries, Attorneys & Consultants ..... 3,611  
Managers & Health Care Providers ..... 1,903  
Others Allied to the Field ..... 849

**TOTAL** ..... **52,604**  
★ Source Business/Occupational breakdown of qualified circulation, May 30, 1994 Issue, as submitted to BPA for June 1994 BPA Publisher's Statement

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## For the Record

### Daubert case dismissed on appeal

SAN FRANCISCO—A three-judge panel of the 9th U.S. Circuit Court of Appeals has dismissed the case of *Daubert vs. Merrell Dow Pharmaceuticals Inc.*

That case led to a 1993 U.S. Supreme Court ruling that found that federal judges should carefully screen scientific evidence rather than follow an earlier standard that concentrated on whether the experts' ideas or conclusions have won general acceptance (*BI*, April 5, 1993).

The suit claimed the Merrell Dow anti-nausea drug Bendectin caused birth defects. The appellate panel held that the plaintiffs' experts in the case had not followed a scientific method found to be valid by at least a minority of researchers.

Separately, the U.S. Supreme Court rejected without comment an appeal of a \$7.3 million breast implant award filed by Dow Corning Corp., which argued that the scientific evidence used in the case was inadequate.

The breast implant case, *Hopkins vs. Dow Corning*, drew early attention to many safety concerns with silicone gel implants (*BI*, Dec. 23, 1991).

### FAA to review safety suggestions

WASHINGTON—The Federal Aviation Administration plans to review 70 air safety recommendations and set a timetable for implementing many of them within 30 days.

The announcement came after a conference earlier this month at which U.S. Transportation Secretary Federico Pena vowed to pursue a "zero-accident" goal for U.S. aircraft. The conference occurred against a backdrop of recent air disasters involving passenger jets.

Among the 70 recommendations were creating a nationwide database with detailed safety data from U.S. carriers, creating de-icing facilities that can handle several aircraft at once in certain airports, requiring foreign pilots to pass English proficiency tests and requiring that crew members on long flights take turns resting.

More than 900 people, including airline chief executive officers and senior government safety officials, attended the Aviation Safety Conference Jan. 11-12.

The FAA this month also lifted its Dec. 9 order prohibiting ATR-72 and ATR-42 aircraft from flying in known or forecast icing conditions, as long as pilots and airlines follow new flight safety and training procedures. Aviation authorities investigating the Oct. 31 crash of an American Eagle ATR-72 in Indiana recommended the restriction (*BI*, Dec. 19, 1994; Nov. 7, 1994).

### N.Y. employers urge comp reform

SYRACUSE, N.Y.—A business group is urging New York Gov. George Pataki and state lawmakers to enact a draft workers compensation bill that the group says would reduce employer costs by 20% immediately and by 26% over the next several years.

Managed care is a key element of the bill, which was drafted by the 6,000-member New York Workers Compensation Action Network. The group expects to have a sponsor to introduce the bill in the Legislature soon.

"Now, it's a crime for an insurer to

even recommend what doctor an injured worker should see," said Lawrence T. Gilroy III, chairman of the lobbying group and president of Gilroy, Kernan & Gilroy, a New Hartford, N.Y., insurance agency. A voluntary managed care pilot program was to have taken effect Aug. 1, 1994, but has been delayed (*BI*, Dec. 20, 1993).

The bill also proposes the complete repeal of *Dole vs. Dow Chemical*, a 1972 New York Court of Appeals ruling. That decision found that employers not only must pay for workers comp benefits, but also may be held liable for damages stemming from lawsuits filed by injured workers. Under the ruling, if an employee sues a third party, such as the manufacturer of equipment that injured the worker, that third party in turn can seek to hold the employer liable for its use of the equipment. There is no limit on the damages that employers could have to pay.

NYCAN's plan also calls for limits on wage-loss benefits for partially disabled workers, an offset on bene-

fits for those already receiving Social Security benefits, incentives to companies with good safety records and penalties for those with poor records.

### IIE gives approval to 'limited' syndicate

CHICAGO—Invoking a little-known provision in its enabling law, the Illinois Insurance Exchange recently approved its first "limited" syndicate.

Under the limited syndicate provision, Agora Limited Syndicate Inc. will be able to operate with \$3 million of capital, instead of the \$5 million required of most syndicates, because it has no underwriting authority on its own.

Agora Ltd. will be attached to Agora Syndicate Inc. for underwriting purposes, said Roger Mitchell, a principal with Agora Syndicate and Criterion Management Co.

"The 'limited' syndicate gives our syndicate a real shot in the arm, providing additional capital, hence the potential for additional premium dollars," Mr. Mitchell said. The arrangement between the Chicago-based entities provides additional ca-

capacity to the main Agora syndicate without requiring it to give up equity, the IIE said in a statement.

Shareholders of Agora Ltd. include several former business associates of Mr. Mitchell, a former investment banker.

### Chrysler pension plan attains full funding

HIGHLAND PARK, Mich.—Count Chrysler Corp. among the ranks of Corporate America with fully funded pension programs.

Chrysler announced earlier this month that its major pension plan—thanks to about \$2.5 billion in contributions during 1994—is now fully funded.

As recently as 1991, the plan, which includes about 210,000 participants, had \$4 billion in unfunded liabilities.

### Information in brief

Newly elected California Insurance Commissioner Chuck Quackenbush during his inaugural address earlier this month reiterated his commitment to create a state-only COBRA

plan for small business employees who lose their jobs. The federal COBRA statute does not apply to employers with fewer than 20 employees. Mr. Quackenbush was sworn in as commissioner Jan. 4. . . . The California Insurance Department issued a cease-and-desist order against the Russian-licensed insurer First Ossetian International Insurance Co., barring it from selling insurance in California. The company had voluntarily agreed to refrain from operating in the state during proceedings in San Francisco Superior Court earlier this year. . . . Legislation introduced this month by Sens. William Roth, R-Del., and John Breaux, D-La., that would expand tax-deductible individual retirement accounts also would allow employees to make penalty-free early withdrawals from their 401(k) plans to pay for educational expenses and down payments toward buying a home. . . . Under a strategic alliance approved last month, American International Group Inc. senior vps Robert M. Sandler and Howard I. Smith have been named to the board of 20th Century Industries, the parent of quake loss-riddled 20th Century Insurance Co. **[BI]**

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**JANUARY**

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**JAN. 31-FEB. 1. Designing and Managing Specialty Niche Insurance Programs** conference in San Francisco, sponsored by the International Quality & Productivity Center; \$1,195. International Quality & Productivity Center, P.O. Box 43155, Upper Montclair, N.J. 07043-7155; 1-800-882-8684.

**JAN. 31-FEB. 1. Fourth Annual P&I Defined Contribution Conference** in New York, sponsored by Pensions & Investments and International Business Forum; \$695 for plan sponsors, \$1,095 for others. IBF/International Business Forum, 7 Penn Plaza, Suite 901, New York, N.Y. 10001; 212-279-2525.

**FEBRUARY**

**FEB. 2. Proven Strategies for Successful Insurance Sales** seminar in Normal, Ill., sponsored by Illinois State University's Katie Insurance School; \$30. Illinois State University, Katie Insurance School, Attn: Kathy Kelly, Campus Box 5490, Normal, Ill. 61790-5490; 309-438-3021.

**FEB. 2-3. Mealey's Insurance Fraud and Bad Faith Conference** in Phoenix, sponsored by Mealey Publications Inc.; \$595. Mealey Publications Inc., P.O. Box 446, Wayne, Pa. 19087-0446; 1-800-632-5397.

**FEB. 2-3. Risk Contracts in Medicare Managed Care** conference in Coral Gables, Fla., sponsored by the Institute for International Research; \$1,195. Conference Administrator, Institute for International Research, 708 Third Ave.,

Fourth Floor, New York, N.Y. 10017-4103; 800-345-8016 or 212-661-8740.

**FEB. 3-4. Joint Technology Conference** in Kansas City, Mo., sponsored by the National Assn. of Insurance Commissioners and ACORD; \$125 for regulators, \$450 for non-regulators. NAIC Meetings Department, 12 Wyandotte Plaza, 120 W. 12th St., Suite 1100, Kansas City, Mo. 64105; 816-889-4400.

**FEB. 5-8. American Bankers Assn. 1995 National Security and Risk Management Conference** in San Antonio; \$775 for ABA members, \$995 for non-members. ABA Customer Service, 1120 Connecticut Ave. N.W., Washington, D.C. 20036; 1-800-338-0626.

**FEB. 6-8. Hazard Analysis and Risk Reduction** seminar in Dallas, sponsored by the American Society of Safety Engineers; \$650 for ASSE members, \$750 for non-members. **Also April 3-5** in Anaheim, Calif. ASSE, Education Registrar, 1800 E. Oakton St., Des Plaines, Ill. 60018-2187; 708-692-4121.

**FEB. 9-10. Products Liability Seminar** in San Francisco, sponsored by Defense Research Institute; \$445 for DRI members, \$495 for non-members. Defense Research Institute: Products Liability Seminar, 750 N. Lake Shore Drive, Suite 500, Chicago, Ill. 60611; 312-944-0575.

**FEB. 9-10. Provider Network Management** conference in Santa Monica, Calif., sponsored by the Institute for International Research; \$1,295. **Also Feb. 16-17** in Washington. Conference Coordinator, Institute for International Research, 708 Third Ave., Fourth Floor, New York, N.Y. 10017-4103; 212-661-8740.

**FEB. 9-10. Lloyd's and London Insurance Market** conference in New York, sponsored by Executive Enterprises; \$1,195. Executive Enterprises, 22 W. 21st St., New York, N.Y. 10010-6990; 800-831-8333.

**FEB. 9-10. Workers Compensation Managed Care** conference in Orlando, Fla.,

sponsored by the Institute for International Research; \$1,295. Conference Coordinator, Institute for International Research, 708 Third Ave., Fourth Floor, New York, N.Y. 10017-4103; 212-661-8740.

**FEB. 9-10. Capitation and Risk-Sharing Contracts** conference in Orlando, Fla., sponsored by the Institute for International Research; \$1,195. Conference Coordinator, Institute for International Research, 708 Third Ave., Fourth Floor, New York, N.Y. 10017-4103; 212-661-8740.

**FEB. 10-11. Advanced Behavioral Group Practice Management** conference in Dallas, sponsored by the Council of Behavioral Group Practices and Group Practice Affiliates Inc.; \$595. **Also Feb. 24-25** in Atlanta. IBH-A, 4370 Alpine Road, Suite 108, Portola Valley, Calif. 94028; 415-351-8411.

**FEB. 11. Pilot's Review of Proficiency Seminar** in Newark, N.J., sponsored by FlightSafety International; no charge. **Also Feb. 28** in Tulsa, Okla. **Also March 11** in Augusta, Ga. June Spencer, Houston Learning Center, 1-800-927-1521.

**FEB. 13-14. Rate Setting & Product Development for Managed Care** conference in Tampa, Fla., sponsored by the Institute for International Research; \$1,295. Conference Administrator, Institute for International Research, 708 Third Ave., Fourth Floor, New York, N.Y. 10017-4103; 800-345-8016 or 212-661-8740.

**FEB. 13-14. Workers Comp Update 1995** seminar in Oak Brook, Ill., sponsored by the Council on Education in Management; \$495. Council on Education in Management, 325 Lennon Lane, Walnut Creek, Calif. 94598-2418; 510-934-8333.

**FEB. 13-14. Affirmative Action Plans Today** workshop in Scottsdale, Ariz., sponsored by the Council on Education in Management; \$595. **Also March 6-7** in Nashville, Tenn.; **March 8-9** in Chicago; **March 13-14** in Minneapolis; **March 15-16** in St. Louis; **March 21-22** in New

York; **March 23-24** in Boston; **March 27-28** in Arlington, Va.; **March 27-28** in Newport Beach, Calif. Council on Education in Management, 325 Lennon Lane, Walnut Creek, Calif. 94598-2418; 510-934-8333.

**FEB. 13-14. Capture, Navigate & Use Data to Build a Health Information Strategy** conference in Atlanta, sponsored by the Institute for International Research; \$1,195. Conference Administrator, Institute for International Research, 708 Third Ave., 4th Floor, New York, N.Y. 10017-4103; 212-661-8740.

**FEB. 13-15. Intro to Financial Analysis-Life/Health Insurance** seminar in Chicago, sponsored by A.M. Best Co. and The College of Insurance; \$950. **Also March 13-15** in San Francisco. The College of Insurance, 101 Murray St., New York, N.Y. 10007-2132; 212-962-4111.

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**FEB. 14. Secondary Insurance Market Research Workshop** in New York, sponsored by the Society of Insurance Research; \$275 for SIR members, \$325 for non-members. Society of Insurance Research, 3285 Crawford Circle, Marietta, Ga. 30066; 404-919-8862.

**FEB. 15-16. Mechanics of Underwriting** program in New York, sponsored by the Practising Law Institute; \$895. Christine Garcia, Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

**FEB. 15-17. Fundamentals of Insurance** course in Orlando, Fla., sponsored by the Risk & Insurance Management Society Inc.; \$700 for RIMS members, \$800 for non-members. **Also April 10-12** in Washington; **June 12-14** in Chicago; **Sept. 6-8** in San Diego; **Oct. 23-25** in Dallas; **Dec. 13-15** in New York. RIMS, Education Department, 655 Third Ave., New York, N.Y. 10017; 212-286-9292.

**FEB. 15-18. Case Management Society of America Fifth Annual Conference** in Washington; \$310 for CMSA members, \$380 for non-members. Jeanne Boling, CMSA, 8201 Cantrell Road, Suite 230, Little Rock, Ark. 72207; 501-225-2229.

**FEB. 16. Spotlight on Employers' Liability** seminar in London, sponsored by the Assn. of Insurance & Risk Managers in Industry & Commerce; £167 (\$262) for members, £217 (\$341) for non-members. AIRMIC, 6 Lloyd's Ave., London EC3N 3AX, England; 011-64-71-480-7610.

**FEB. 16-17. Integrating Health, Managed Care and Disability Programs** conference in San Diego, sponsored by International Business Communications; \$1,195. IBC USA Conferences Inc., 225 Turnpike Road, Southborough, Mass. 01772-1749; 508-481-6400.

**FEB. 17. Forming and Using Limited Liability Companies and Limited Liability Partnerships** meeting in New York, sponsored by the Practising Law Institute; \$695. Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 800-260-4754.

**FEB. 19-22. Trustees and Administrators Institute** in Orlando, Fla., sponsored by the International Foundation of Employee Benefit Plans; \$625 for IFEBP members, \$715 for non-members. **Also June 25-28** in St. Louis, Mo. Registrations Department, International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6710.

**FEB. 19-22. Professional Insurance Mass-Marketing Assn. 21st Annual Meeting** in Indian Wells, Calif.; \$675 for PIMA members, \$825 for non-members. PIMA, 4733 Bethesda Ave., Suite 330, Bethesda, Md. 20814-5228; 301-951-1260.

**FEB. 20-22. The Health Care (R)evolution: Second Annual Conference** in Orlando, Fla., sponsored by the Central Florida Health Care Coalition; \$295. Central Florida Health Care Coalition, 6000 Lake Ellenor Drive, Suite 251, Orlando, Fla. 32809; 407-859-6032.

**FEB. 20-24. Government Risk Management Seminars** in San Diego, sponsored by the Public Risk Management Assn.; \$595 for basic certificate program for PRIMA members, \$725 for non-members; \$490 for continuing education program and schools risk management pro-

gram for PRIMA members, \$620 for non-members. PRIMA, 1815 N. Fort Myer Drive, Suite 1020, Arlington, Va. 22209; 703-528-7701.

**FEB. 23-24. Directors & Officers Liability Symposium** in San Francisco, sponsored by The Wyatt Co.; \$795. Mary Maze, The Wyatt Co., 303 W. Madison, Suite 2400, Chicago, Ill. 60606; 312-704-2483.

**FEB. 26-MARCH 1. Managing Ergonomics in the 1990s** conference in Cleveland, sponsored by the Center for Office Technology and the American Automobile Manufacturers Assn.; \$395. Managing Ergonomics Conference Secretariat, 1150 S. Washington St., Suite 210, Alexandria, Va. 22314; 703-683-6334.

**FEB. 27-28. Insurance, Excess and Reinsurance Coverage Disputes** seminar in New York, sponsored by the Practising Law Institute; \$695. **Also March 23-24** in San Francisco. Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 1-800-260-4754.

**FEB. 27-28. Managed Vision & Eye Care Congress** in San Francisco, sponsored by the Institute for International Research; \$1,195. Conference Administrator, Institute for International Research, 708 Third Ave., Fourth Floor, New York, N.Y. 10017-4103; 800-345-8016 or 212-661-8740.

**FEB. 27-28. Eastern Claims Conference** in New York; \$140. Eastern Claims Conference, P.O. Box 6030, Parsippany, N.J. 07054-0591; or Ken Nowak at 212-907-8542.

**FEB. 27-28. 401(k) Servicing & Administration** forum in New York, sponsored by the Institute for International Research; \$1,295. Conference Administrator, Institute for International Research, 708 Third Ave., 4th Floor, New York, N.Y. 10017; 212-661-8740.

**MARCH**

**MARCH 6-7. Midwest Business Group on Health 15th Annual Conference** in Rosemont, Ill.; \$475. MBGH, 8303 W. Higgins Road, Suite 200, Chicago, Ill. 60631; 312-380-9090.

**MARCH 8-10. 15th Annual Health Agenda '95** conference in Washington, sponsored by the Washington Business Group on Health; \$695 for WBGH members, \$895 for non-members. Washington Business Group on Health, 777 N. Capitol St. N.E., Suite 800, Washington, D.C. 20002; 202-408-9320.

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# Earthquake

Continued from page 1

structural damage was only discovered gradually (BI, Jan. 16).

Ian Thompson, a director of S&P in Melbourne, Australia, who was in Tokyo at the time of last week's quake, added that while insured losses from the Kobe quake were first estimated at less than \$5 billion, the ultimate cost could escalate, much like the Northridge quake estimates.

"Already the death toll is higher than initially thought," he noted.

There were no total insured loss figures for the quake available last week from The Marine & Fire Insurance Assn. of Japan, said Yoshiaki Amamoto, manager-research department of the association's international division in Tokyo. It will be at least a week before preliminary estimates are available, he said.

However, most insurers and brokers were certain that the quake would have little impact on the world's insurance markets.

"We believe the insured loss will be small," summed up K. Mabuchi, managing director of Nissan Insurance Co. (Europe) Ltd. in London. "But it is difficult to say because the exposure is not clear at the moment."

Only 3% of homeowners in the region pay additional premiums to have an earthquake coverage endorsement added to their property insurance policies, added Masataka Kitagawa, manager of the U.K. branch of Taisho Marine & Fire Insurance (Europe) Ltd. Taisho had 1993 gross premiums of ¥1 trillion (\$8.96 billion). The earthquake endorsement "is not popular," he said.

"Whatever damage is in the commercial side of Kobe, only about 10% will be insured for quake," said David Brewer, chairman of Sedgwick Japan Ltd. in London.

"On a net basis, it may not be as costly as Typhoon Mireille," said Ross E. Matthews, regional vp for American International Group Inc. in Tokyo, referring to the \$5 billion 1990 typhoon. "They are so underinsured for earthquake in this country."

AIG, the largest foreign insurer in Japan, with 1.8% of the insurance market, expects net losses of \$50 million as a result of the Kobe quake, the company said in a statement. AIG writes both personal and commercial lines in Ja-

pan.

Theresa T. Carney, regional vp-business development at CIGNA Insurance Co. in Tokyo, said the company so far had only sporadic reports of losses because of communication problems. The company writes about \$420 million in net premiums in Japan, where it is a licensed insurer. Of that, 47% is auto, 32% accident and health, 14% fire, 4% casualty and 3% other business.

Christopher Collins, head of Marsh & McLennan Cos. Inc.'s Japanese operations in New York, believes that Japanese insurers will not be hit terribly hard by the quake. "The Japanese don't buy

## KOBE QUAKE

mate losses. Insured losses will be in the billions of dollars, but just how high they will be I can't predict."

Teresa Pahl, executive vp at Rollins Hudig Hall International in Chicago, agreed that Japanese insurers do not have a "major exposure to earthquake losses, because very few homeowners purchase it due to the government-set rating mechanism." But she did predict that life insurers will see many policyholders withdrawing from their accounts to pay for re-

she received indicated that the most serious damage in Kobe was to residential areas, the city's port and to roadways. "Thus, there could be some business interruption losses if things cannot get in and out of there (see story, page 30)."

Claude Gallelo, managing director of Willis Corroon International/Americas in New York, said that while little insurance information is available, it appears this earthquake could be the biggest loss in Japanese history. But it still won't kill the Japanese and global insurance industry because so little coverage is written in proportion to the devastation, he

which accounts for 2% of the company's annual premium income. Japanese insurers "have huge retentions" for earthquake exposure.

At the same time, Mr. Ebeling estimated that up to 40% of all the commercial and industrial losses in last week's quake could end up being paid for by international reinsurers.

"It is a serious loss but not the big Tokyo earthquake that has to be expected. We are here to pay for such events. That is our task," agreed a spokesman for Munich Reinsurance Co. "Japan uses the international market to a considerable extent because earthquake capacity for Japan is scarce."

Munich Re is a major reinsurer of Japanese risks. But, "we are prepared for such events," he said. "Whatever the cost is, we will pay (the losses) in a speedy and reliable way."

"We do not think the loss will be that serious for our company," added a spokesman for Zurich, Switzerland-based Swiss Reinsurance Co. The company said in a statement that it expects a total loss of less than 150 million Swiss francs (\$117.7 million).

In Bermuda, catastrophe reinsurers are calm, saying they cover more Japanese windstorm than earthquake risks and are not major proportional reinsurers in the country (see related story).

Australian underwriters also say their exposure is limited.

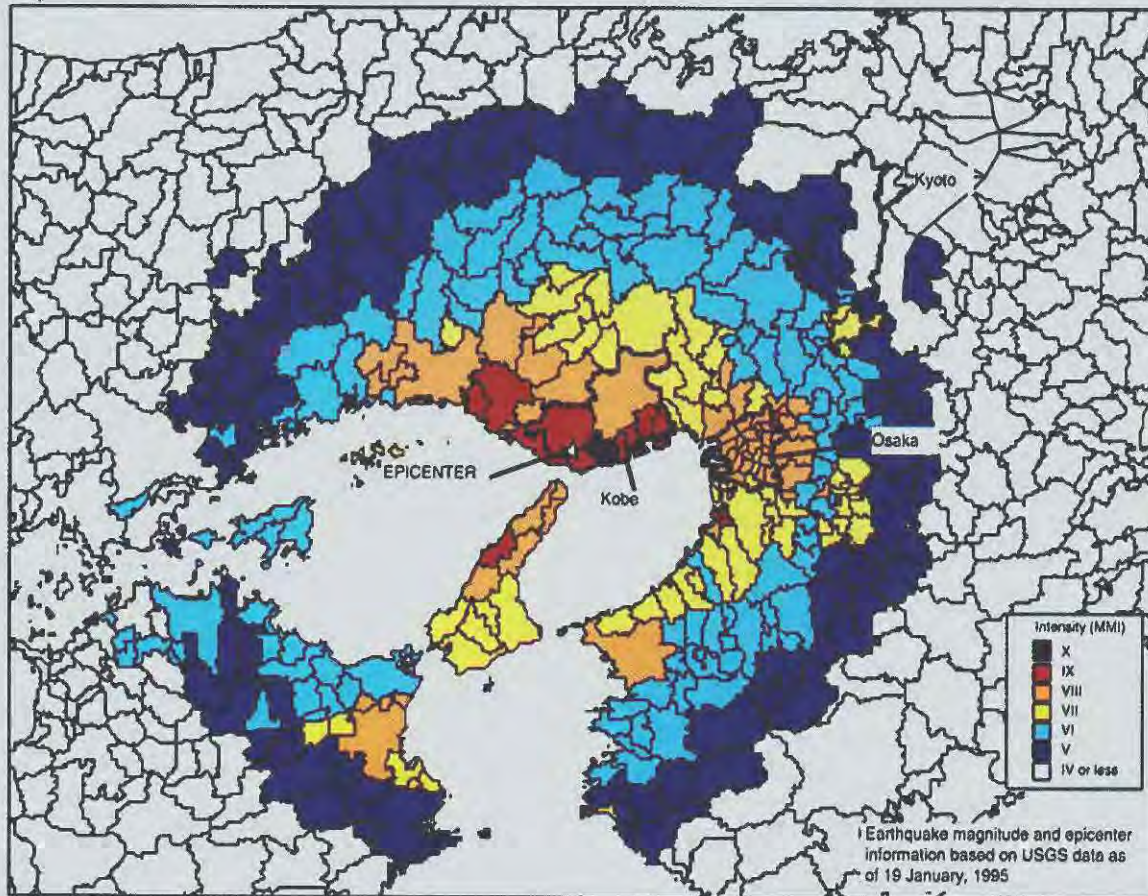
Owen F. Roach, executive director of Sydney-based GIO Insurance Ltd., which has reinsurance operations throughout Southeast Asia, said its maximum loss from any one event is \$75 million, but he expected the Kobe quake to cost \$30 million Australian to \$50 million Australian (\$23 million to \$38.4 million).

Frank O'Halloran, operations director for Sydney-based QBE Insurance Ltd., said he expected net claims of \$5 million Australian (\$3.8 million).

Japan is divided into 11 zones of earthquake risk. The "Zone 8" region where the quake occurred has never been considered a major quake zone, unlike Zone 5, which includes Tokyo.

Zone 8 is the heartland of Japan's industry, including a wide urban area that encompasses the major port of Kobe; Osaka, which is the country's second-largest city; and Kyoto, which is the ancient capital of Japan.

Continued on next page



Risk Management Solutions Inc. has simulated the ground-shaking intensity of the Kobe quake, based on a scale of 1-12. The Jan. 17 quake generated a maximum intensity of 10. Using data from the Fire & Marine Insurance Rating Assn. of Japan, RMS estimates that \$868 billion of fire insurance coverage written by Japanese companies was exposed to an intensity of 6 or greater.

much dwelling coverage, but most importantly, Japanese companies are largely uninsured for earthquake. It's just too expensive to buy a 30% quota-share policy."

Mr. Collins said the effect on global property markets will be "more psychological than monetary. The pictures of a city believed to be well-engineered and well-built in rubble is shocking. Still, I don't mean to underesti-

mate losses, she said, have some exposure to losses, mostly at warehouse-type facilities. "It's a very commercial region, but the effect won't be known for a while. Deductibles tend to be very high, so it all depends on the extent of structural damage and how quake-proof these buildings really were."

Ms. Pahl added that the reports

said. "It will create some additional capacity problems, but to what degree? It's too early to tell."

German and Swiss reinsurers, meanwhile, remain calm about the possible impact from last week's quake.

"It is not the Big Bang that has to be expected. We are not really alarmed," said Volkhard Ebeling, a vp of Hannover Reinsurance Co. responsible for Japanese business,

# Bermuda cat reinsurers unshaken by quake losses

By GAVIN SOUTER

HAMILTON, Bermuda—Bermuda catastrophe reinsurers do not expect the Kobe quake to cause major losses because they underwrite more Japanese windstorm than earthquake business and few write much of the proportional coverage that Japanese insurers prefer.

Executives here have no firm estimates of losses, but do say that proportional reinsurers in Europe will pay most of the reinsured Kobe losses.

"It is a staggering loss in human and dollar terms, but at the moment it doesn't look like there will be an enormous exposure to reinsurers," said Donald Kramer, chairman of Tempest Reinsurance Co. Ltd.

If the overall economic loss is approximately \$45 billion, the insured loss will likely be about \$15 billion, said James P. Bryce, senior vp at International Property Catastrophe Reinsurance Co. Ltd.

"But it is still too early to tell, and a month from now it could be a

completely different figure," he said.

IPC Re has a comparatively modest exposure because it does not underwrite proportional reinsurance, Mr. Bryce said. The company told shareholders last year that about 8% of its \$77.6 million in 1994 written premiums is derived from Japanese business.

"Bermuda came about to write windstorm business," said Tempest Re's Mr. Kramer. All the catastrophe reinsurers have Japanese earthquake exposures, but for most they are probably a relatively small part of their total book, he said. "Nobody is going to be disrupted by it."

Partner Reinsurance Co. Ltd.'s total loss exposure to the Japanese catastrophe market is \$200 million, said Herbert N. Haag, president and chief executive officer of the Swiss Re unit.

"It's still too early to get an estimation of the loss, but we expect it to be much less than the limit," he said.

Around \$24 million of Partner Re's more than \$180 million 1994

written premium income was derived from Japan, and most of that was for non-proportional business, Mr. Haag added.

Mid Ocean Reinsurance Co. Ltd. derives around \$25 million of its total \$358.6 million in written premium income from Japan.

"And more of the coverage is for windstorm rather than earthquake," said Charles Hays, senior vp and chief financial and administrative officer.

Centre Cat Ltd.'s maximum gross exposure in Japan is \$16.8 million, said President Charles Kline.

"It's possible that we may have a loss, but because of the aggregate amount we are not too concerned about it," he said. If Centre Cat were to pay out its entire \$16.8 million exposure, then the total loss to the entire reinsurance market "would be an extraordinary loss."

Only 3% of Centre Cat's 1994 written premiums is derived from Japan, Mr. Kline said. "That was an underwriting decision not to write proportional treaties for earthquake

coverage," he said.

La Salle Re Ltd. also has limited exposure to the Japanese earthquake market, said Guy Hengesbaugh, executive vp and chief underwriter.

Both the pricing and the retention levels of ceding companies were too low, he said. "We were a little leery of the business."

Renaissance Reinsurance Ltd. also has a limited exposure, said CEO James Stannard.

"Japan is not one of our big zones. We are relatively underweighted in Japan compared to a typical market share," he said.

Earthquake losses likely will affect Japanese insurers' April 1 renewals, but which risks and by how much is still not clear, Bermudian reinsurers say.

"It should have some impact but the pro-rata treaties have a profit margin of around 50% so they are already very profitable," said Larry Doyle, CEO of Global Capital Reinsurance Ltd.

And the actual affect on the rein-

Source: Risk Management Solutions Inc., Menlo Park, Calif.

BI

# Earthquake

Continued from previous page

Although a series of quakes had been felt in the northern islands of Japan over the past few weeks—including a Dec. 28 tremor killed three people and cost insurers about ¥1.2 billion (\$12.1 million)—no one expected that such a severe quake could occur in Zone 8.

Indeed, most earthquake emergency procedures have been geared toward another major quake in Tokyo the size of the Great Kanto quake in 1923, which killed an estimated 140,000 people. It's been estimated that total damages from a quake of that size in Zone 5 now would exceed ¥80 trillion (\$802.64 billion) (BI, Aug. 12, 1991).

Most Japanese non-life insurers have emergency procedures that were set into action following last week's quake. But, some acknowledge they were taken by surprise.

The Yasuda Fire & Marine Insurance Co., for example, had based its emergency center near Tokyo and Nagoya to prepare for a Tokyo quake, said Atacuchi Matsumoto, managing director of The Yasuda Fire & Marine Insurance Co. of Europe Ltd. in London.

New emergency headquarters were set up last week in Yasuda's Osaka headquarters, because the company couldn't get to its Kobe offices, said Mr. Matsumoto. "Hundreds" of employees will staff the headquarters.

Yasuda has 12,800 employees worldwide and posted 1993 gross premiums of ¥1.3 trillion (\$11.65 billion).

All of the Japanese insurers will have emergency headquarters set up, said Nissan's Mr. Mabuchi. Although Nissan's offices are open in Kobe, the emergency headquarters are set up in Osaka and will operate 24 hours a day, seven days a week, he said.

Dowa Insurance Co.'s offices in Osaka and Kobe could not open last week, so personnel were being sent from the insurer's Tokyo headquarters to the region, said P.S. Ellacott, managing director of Dowa Insurance Co. (Europe) Ltd. in London.

Only 30% to 50% of each insured commercial and industrial risk may be covered for earthquake damage under government caps imposed on Japan's earthquake zones.

Since 1973, Japanese insurers have imposed a maximum limit in Zone 8 of 30% of the sum insured on each commercial/industrial fire policy. Those insured with foreign companies, though, would not be subject to the caps.

But even foreign insurers have not always had sufficient capacity to provide 100% coverage for those types of risks, AIG's Mr. Matthews said.

"Most companies have been downsizing their earthquake portfolios in Japan," he said. He estimated that less than 10% of commercial and industrial risks would be insured for earthquake damage.

However, some buildings stood up to the earthquake better than others. "It seems that the modern buildings are virtually unscathed and withstood the shock," said Mr. Brewer. Building standards have been quite strict since the Buildings Standards Law was enacted in 1975, so collapsed buildings probably were built before then.

Which portion of Japan's quake loss will be borne by Japanese insurers, foreign reinsurers or the

government is dictated by a complex maze of insurance pools and programs.

Altogether, sources worldwide believe that the insurance industry's total exposure in the region affected by the earthquake is ¥1 trillion (\$10.03 billion), or 7% of the country's total insured catastrophe exposure.

This is divided in several ways. More than 20 Japanese non-life insurers are licensed by the Ministry of Finance. They include: The Tokio Marine & Fire Insurance Co. Ltd., which is Japan's largest insurer; Yasuda; Nissan; and Toa Fire & Marine Reinsurance Co. Ltd. Foreign insurers like AIG are excluded.

Lloyd's of London underwriters estimate that these companies have a total of \$2.3 billion to \$2.5 billion in aggregated earthquake risks in the Zone 8 region, much of which is reinsured via quota-share reinsurance in Munich, Switzerland, London and Bermuda.

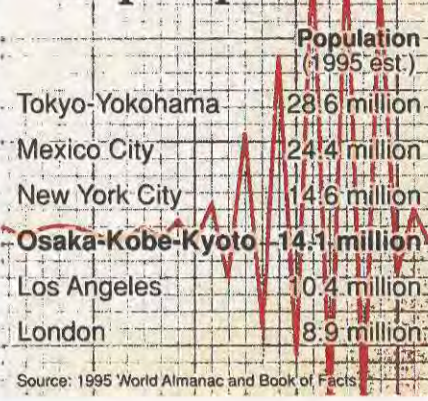
In addition, these Ministry of Finance-approved insurers buy very little excess-of-loss property catastrophe reinsurance to cover earthquake because it's so expensive. During April 1 renewals last year, Tokio Marine bought no excess-of-loss earthquake coverage. Other insurers only bought in excess of 49% of their total aggregates in the Zone 8 region. As a result, London reinsurers expect that excess-of-loss reinsurance claims from the quake will only account for about \$282 million.

For homeowners and small shopkeepers' risks, the Ministry of

## KOBE QUAKE

Finance insurers participate in a government earthquake reinsurance program established in 1966, which today covers up to ¥1.8 trillion (\$18.17 billion) in catastrophic losses, confirmed Nobuaki Yamanami, manager of the corporate planning depart-

### Putting quake site in perspective



GRAPHIC BY KIM ROME

ment of The Fire & Marine Rating Assn. of Japan.

Each homeowner can get this cover as an endorsement to homeowners policies that cover damage from earthquake and fire following a quake, up to ¥10 million (\$100,960) for property damage and ¥5 million (\$50,480) for household goods.

But insurers say domestic losses could be low, because only 2.5% of people in Kyoto, 5.9% of Osaka

homeowners and 3% of residents of the Hyogo prefecture, which includes Kobe, bought the earthquake endorsement.

Under this reinsurance program, known as the Japan Earthquake Reinsurance Co:

- The insurers cover 100% of the first ¥66 billion (\$666.3 million) of loss.

- In the next layer, ¥336 billion (\$3.39 billion) excess of ¥66 billion, insurers fund half of the losses and the government funds the remainder.

- Up to ¥1.8 trillion (\$18.17 billion) excess of ¥336 billion, the government funds 95% of the loss and insurers fund 5%.

- Claims exceeding ¥1.8 trillion are reduced in value based on the proportion to the total number of claims.

Japanese insurers last week speculated that the Kobe quake losses will exceed ¥66 billion, triggering the Japanese government's earthquake reinsurance program. Insured losses from a Japanese quake have never reached that level, with insurers able to meet claims from their own reinsurance programs and catastrophe reserves.

In addition to the quake program, the Ministry of Finance insurers since the early 1980s have automatically offered an ex gratia payment to homeowners to cover losses caused by fire following an earthquake, volcanic eruption or tsunami. The sum, paid by the Japanese Earthquake Fire Expense Pool owned by the insurers, is 5% of the value of each homeowners policy, up to a maximum of ¥20 million (\$201,920).

The earthquake fire pool is reinsured in the worldwide markets for ¥60 billion (\$605.8 million) excess of a ¥250 billion (\$2.52 billion) retention. All major world brokers are involved in the placement, but London's Willis Corroon Group P.L.C. leads it.

Reinsurers in London weren't too concerned last week, though. They estimated the average value of each property policy in Zone 8 was ¥650,000. That means 385,000 policies would have to have a fire loss before the reinsurance market would be affected. Ministry of Finance insurers likely have separate reinsurance programs for marine and cargo losses.

Aside from the Ministry of Finance insurers is the "Zenkyoren," the National Mutual Insurance Federation of Agricultural Cooperatives. The Zenkyoren's aggregate exposure in the Zone 8 region alone totals almost \$70 billion. Zenkyoren offers building endowment policies, which are like mortgages linked to life insurance policies and are common in other parts of the world, such as the United Kingdom.

Sources say the cooperative's insured losses in the area may be only ¥10 billion (\$100.3 million). Zenkyoren's policies automatically pay up to 50% of a building's earthquake damage.

The mutual group buys \$1 billion of reinsurance excess of \$1.9 billion through its reinsurance broker, Bain Hogg Group, which is led in Lloyd's. Zenkyoren also co-reinsures part of its program.

Carolyn Aldred, Adrian Ladbury, Michael Schachner and Gavin Souter contributed to this story.

# Big losses seen in industrial region

## Few U.S. firms fully insured in Japan

derwriter.

U.S. companies with properties in Japan don't even think of fully insuring their property and business interruption exposures, explained John F. Riley, director of corporate risk management with Dun & Bradstreet Corp. in New York.

"You're probably buying less than 50% of total property value and business interruption," Mr. Riley said. "The coverage generally carries high percentage deductibles and low limits, and it hasn't been offered to us at all by any Japanese companies."

Toyota Motor Corp., which is in Toyota City near Nagoya and is Japan's biggest auto manufacturer, shut down all its factories until today.

The production of 20,000 cars has been affected by the loss of two major suppliers of brake pads and audio components near the quake site, confirmed a Toyota spokesman in London. He added, however, that Toyota shut down its 12 factories in Japan in part to minimize truck traffic on roads and to free its vehicles for the rescue effort.

The Toyota spokesman could not say whether Toyota has business interruption coverage, but added that the company did not intend to file a claim.

Mazda Motor Corp. in Hiroshima was not affected directly by the quake but will close one Hiroshima factory on Monday because of the loss of its major brake component supplier in Kobe, said a spokesman in the United Kingdom. The situation then will be assessed daily, he said. He could not say whether Mazda bought busi-

ness interruption coverage.

Both Toyota and Mazda say their deliveries to foreign markets will be unaffected. Any shortfalls will be made up by March, said the Mazda spokesman.

Meanwhile, Kobe's port—Japan's largest—is a disaster area. Two new man-made island container terminals built by the Kobe Terminal Corp. at a cost of more than \$8 billion are shut with substantial damage. These terminals, connected by bridges and roadways, hold 250 berths and handle over 15% of all Japan's imports and exports, said Mitsuo Kishimoto, the port's London representative.

Facilities in these terminals are partially owned by central and local government and partially by private shipping companies, said Mr. Kishimoto.

Several cranes—including one insured for \$40 million—apparently collapsed at the Mitsubishi Heavy Industries Ltd. shipbuilding plant and damaged a ship under construction. The shipping company Kawasaki Kisen Kaisha Ltd. diverted two international cargo shipments due to be unloaded at Kobe to other ports after its unloading facilities at Kobe were damaged.

Mr. Kishimoto does not know the insured value of the terminals and was unable to give a loss estimate for overall port damage. But several sources say it is likely that the facilities operated by the private shipping firms are insured and unlikely the local authority-operated berths would be covered.

London underwriters believe there will be insured shipping and cargo losses as marine risks are

covered automatically for earthquake unless the risks are in transit. Japanese insurers have separate marine excess-of-loss reinsurance programs to cover these risks.

"There is no doubt from what we have seen of the port area that it has been quite badly affected. Most container stacks do not seem to have been too badly kicked about. One major problem will be that the electricity was switched off on the reefer equipment (frozen containers), and the refrigerated contents will be a bloody mess," said Roger Nixon, head of marine and aviation at Cornhill Insurance P.L.C.

Mr. Nixon added that he had heard of few hull losses, which could have been widespread had a tidal wave followed the quake.

Insured cargo damage "will be substantial, but it's impossible to say what the impact will be on import and export cargoes because nobody knows what the value of cargoes within a port is at any time," said leading Lloyd's cargo underwriter H. Raymond Dumas at syndicate 1028 managed by Wellington Underwriting Agencies.

"We know that the port was pretty badly hit, and I would expect significant losses on the Japanese cargo portfolio," agreed Stephen Catlin, underwriter for syndicate 1003 and chairman of its managing agency Catlin Underwriting Agencies Ltd. "This business is placed by excess-of-loss non-proportional treaties worldwide, but I would expect big exposure in Europe, in Munich and Switzerland and London and Lloyd's."

—By Adrian Ladbury, Stacy Shapiro, Michael Schachner and Kate Tilley



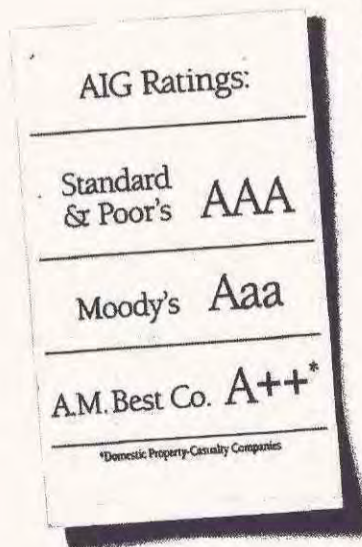
# In today's uncertain markets, when are "strength and stability" more than just buzzwords?

## When they're backed by an impeccable balance sheet and healthy profits.

If you're concerned about the financial strength of your insurance and financial services organization, here are some questions you should ask.

### What's the clearest indicator of financial health?

A balance sheet of impeccable quality, conservatively managed. Look at AIG's financial statements. You'll find \$16 billion in capital funds; \$18 billion of general insurance net loss and loss expense reserves; and \$1.9 billion in after-tax profits in 1993.



### How important are the designations awarded by the rating agencies?

Very important. They provide an impartial, thoroughly researched measure of a company's financial strength. AIG holds the highest ratings awarded by the principal agencies. They are a prized asset, enabling us to capitalize on business opportunities not open to those without these credentials.

### Are there substantial differences in the way insurance organizations are managed?

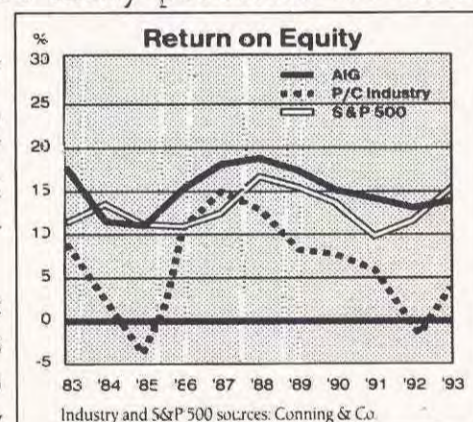
Yes. Take investment and underwriting philosophies. In investing, AIG has an insignificant exposure to high-yield securities and commercial real estate,

which have caused so many problems for other companies.

The overall quality of our assets is excellent, with new cash flow invested primarily in investment-grade fixed-income securities.

We also believe underwriting profits are fundamental to the long-term stability and health of a company.

For years these beliefs have produced outstanding results. Including a return on equity that has consistently exceeded the industry average by a wide margin.



### What other qualities should I look for?

A strong commitment to its basic business, a diversified business portfolio and global presence. AIG is the largest underwriter of commercial and industrial coverages in the U.S. We also have an international network second to none.

So if you're looking for financial strength, stability and commitment for the long term, as well as the other qualities AIG has demonstrated for years—creativity, service and a willingness to consider new ways of solving financial problems—we want to hear from you.

**AIG** World leaders in insurance and financial services.

American International Group, Inc., Dept. A, 70 Pine Street, New York, NY 10270.