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Updates

Superfund reform plan aims to reduce retroactive liability

WASHINGTON—Retroactive liability for underwriters and the businesses they insure would be diminished under a Superfund reform proposal that the Clinton administration is expected to unveil this week.

The proposal would tax property/casualty insurers to fund a pool that would pay to settle lawsuits brought against insurers by businesses that dumped wastes at Superfund sites on or before Dec. 31, 1985. The administration had earlier proposed

Continued on next page

L.A. QUAKE

L.A. takes stock of devastation

By LOUISE KERTESZ and JOANNE WOJCIK

LOS ANGELES—The earthquake that hammered the greater Los Angeles area last week could produce at least $1.5 billion to $2.5 billion in insured losses, which would make it the largest insured quake loss ever.

But many businesses and residents will have much larger uninsured losses because only 20% to 40% buy earthquake insurance.

Insurers' losses will be further minimized by the fact that earthquake policies carry steep deductibles, typically 5% to 10% of insured property value. While some losses will be covered by difference-in-conditions policies, other policies generally will respond only to non-quake damages.

GRAPHIC BY CHRIS ROY

Quake reports continue on page 36

Reinsurers expect to feel few tremors from the quake because of ceding insurers' increasingly large retentions for catastrophe coverage in recent years.

The quake that tore through Los Angeles at 4:31 a.m. last Monday measured 6.6 on the Richter scale and was followed by numerous aftershocks, several of which were greater than 5.0.

The earthquake, which had its epicenter in the San Fernando Valley town of Northridge, crumpled freeways, collapsed many buildings and left thousands of structures uninhabitable, killed 55 and injured about 7,000 people.

Initial estimates of overall damage last week ranged from $10 billion up to $30 billion, while insured losses were from $1.5 billion to $4 billion.

While few last week had a handle on the size of insured damages, the quake is expected to cost considerably more than the previous record: $7 billion in overall damages, of which $960 million was insured, from the Loma Prieta earthquake that shook the San Francisco Bay area in 1989 (*BI*, Oct. 23, 1989).

Among the hardest hit businesses were local utilities.

The quake created "a utility emergency like we've never seen," said Los Angeles Police Department Commander Mark Gascon.

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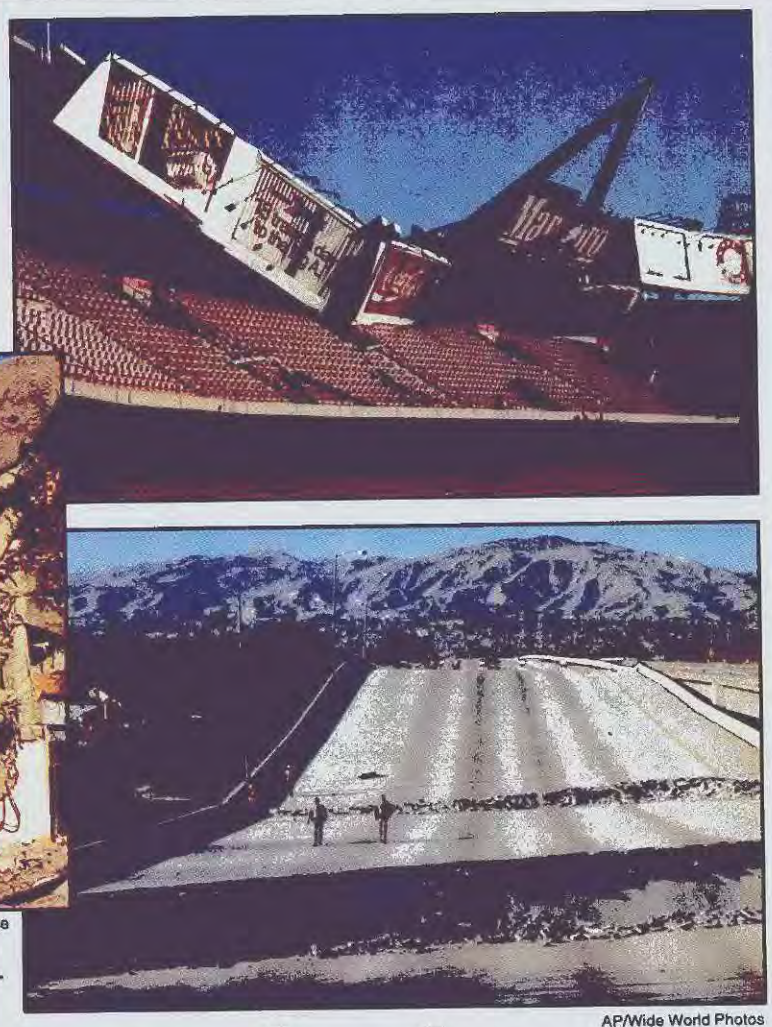
Photo by Paul Morse



The quake damaged countless private and public structures, and devastated area highways.

AP/Wide World Photos

Record quake losses

Early estimates of up to $2.5 billion in claims may grow

By MARK HOFMANN and SARA MARLEY

LOS ANGELES—It may not have been The Big One, but it was probably big enough for the insurance companies that will have to pay out at least $1.5 billion to $2.5 billion in claims from the Los Angeles earthquake.

With claims adjusters still streaming into Southern California, few property/casualty insurers could estimate damages last week. Industrywide estimates are not expected until this week at the earliest.

Leading Lloyd's of London catastrophe underwriters last week were estimating total insured losses at $1.5 billion to $2.5 billion, based on data from the last major quake to strike the San Fernando Valley. Total insured losses for that 1971 quake were $479 million. Estimates in London were rising later in the week, though.

And several widely used computer models put total damages at $10 billion to $15 billion or more, with insurers picking up $1.5 billion to $2 billion (see story, page 36).

Some experts warned, though, that the early figures were speculative. "The first estimates are almost certainly wrong," said Chris O'Kane, a catastrophe reinsurance underwriter at Lloyd's of London. "Recent experience, especially in California, is that the losses tend to creep up."

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A&A seeking successor to Irvin

By SALLY ROBERTS

NEW YORK—Tinsley H. Irvin's resignation last week as chairman and CEO of struggling Alexander & Alexander Services Inc. comes as little surprise to those who have closely followed the travails of the world's second-largest brokerage.

In what directors describe as a mutual decision, Mr. Irvin, a 40-year A&A employee, and the board decided that he would leave to help the company shore up earnings and improve operations.

A&A says it is doing an "international search" for a new CEO. Mr. Irvin—who declined repeated interview requests—will retain the post until a replacement is named and will remain a director.

Poor results have plagued A&A in recent years. Most recently the company had to restate revenues and profits for 1991, 1992 and the first half of 1993 because of mismanagement at its benefit consulting unit, Alexander Consulting Group Inc.

Within the brokerage community, the company is widely considered to be a poorly run "me too" firm that often copies changes made by Marsh & McLennan Cos. Inc. (*BI*, Nov. 8, 1993).

Faced with these mounting problems, the board pressured Mr. Irvin to step down, outsiders believe.

It's pretty clear that Mr. Irvin's retirement "was orchestrated by the board of directors—particularly the outside directors," said Michael A. Smith, senior vp at Lehman Bros. in New York.

This is not to suggest, he added, that the board is making this move as "a first step toward increasing shareholders' value" so much as to suggest the board has "finally responded to outside shareholders' pressure."

"There was no single thing"

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Tinsley H. Irvin

Updates

Superfund reform proposal

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using the new taxes to settle suits over chemicals dumped in 1980 or earlier—before the enactment of the Comprehensive Environmental Response, Compensation and Liability Act of 1980.

The size of the tax is unknown. Insurers initially offered to pay a tax of $300 million annually to cover pre-1980 sites (*BI*, Oct. 11, 1993). The administration has indicated that a tax of $500 million is needed. But it now appears the tax would likely have to be much larger—with some sources estimating it could go as high as $1 billion—because the effective date has been moved to 1985 from 1980.

Feltrim names reject offer

LONDON—The Feltrim Names Assn. on Friday rejected Lloyd's of London's 900 million pound ($1.35 billion) offer to end litigation.

This vote was the second blow dealt Lloyd's last week, following Monday's settlement rejection by the Gooda Walker Action Group (see story, page 31).

The Feltrim names in a show of hands voted overwhelmingly for a resolution that said the offer was "not enough to outweigh the risks and disadvantages of acceptance." However, they also voted to allow Feltrim's executive committee to continue discussions to obtain an improved offer.

Lloyd's offered the action group's 1,600 members 187.4 million pounds ($279 million), or more than 20% of the total settlement.

Feltrim Chairman Colin Hook told members that he believes negotiations will continue with Lloyd's if the offer lapses. An offer along the lines Lloyd's has proposed would be feasible only if there were a cap on members' liabilities, he told the audience.

Lloyd's reiterated after the meeting that it will not alter the structure or amount of the proposed settlement, and individual members still have until Feb. 14 to accept it (*BI*, Jan. 17).

Feltrim's Mr. Hook does not believe a failed offer will sink Lloyd's. "I think it's a long way away. . . .It's in our interests that Lloyd's prospers."

$209 million HMO buyout

MINNEAPOLIS—United HealthCare Corp., the fourth-largest U.S. general service health maintenance organization, is acquiring privately held Complete Health Services Inc. of Birmingham, Ala., in a stock transaction valued at about $209 million.

Under terms of the deal, UHC will issue 2.5 million shares of its common stock in exchange for 100% ownership of Complete Health. UHC stock closed at $83.625 per share last Thursday.

The deal, which is expected to be completed in April following regulatory approval, would give UHC a stronger foothold in the Southeast. The HMO, which has about 2 million enrollees nationwide, currently has only one operation in the Southeast—its 79,400-member United HealthCare of Georgia unit in Atlanta. Complete Health has 240,000 enrollees in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi and Tennessee.

UHC services about 1.9 million enrollees in 10,000 employer groups. It reported more than $1.44 billion in revenues in 1992. The HMO has not announced its 1993 revenues.

Complete Health services about 500 employer groups, which account for all of its members. Its 1993 revenues were $260 million. Its 1992 revenues have not been restated to reflect the HMO's changeover to a calendar accounting year from a fiscal year.

Life/health insurer earnings up

OLDWICK, N.J.—U.S. life/health insurers will post earnings of approximately $12.9 billion in 1993, up 9.3% from about $11.8 billion in 1992, according to a report by A.M. Best Co.

Best said life/health insurers were able to ward off the worst of a depressed real estate market, competition and regulatory pressures to boost profits last year. But, despite this relatively strong financial performance, all is not smooth sailing in the life/health field.

"Industry profitability will remain under pressure as older, profitable life insurance business shrinks in proportion to total liabilities and as growth in thinner-margin, investment-oriented life and annuity products continues," said Larry Mayewski, senior vp.

Issues like health care reform and continued low interest rates may also plague insurer growth in future years, Best said.

ERAS settlement may be near

LONDON—Settlement discussions are reaching fever pitch in the protracted litigation in the United States and the United Kingdom stemming from the operation of the environmental liability reinsurance pool in the early 1980s managed by Environmental Risk Assessment Service (International) Ltd.

The litigation, involving 13 separate actions and eight groups of law firms, could result in a year-long trial that has been scheduled in the high court for January 1996. The complex litigation for damages for breach of contract, breach of duty and negligence involves reinsurers in the pool; retrocessionaires; ERAS's parent, now part of Bain Clarkson Ltd.; and other third parties. The ERAS pool wrote EIL coverage from 1976 to 1984 (*BI*, Dec. 16, 1991; Dec. 7, 1987).

Although settlement discussions have been ongoing for the past few years, they are now at an "advanced stage," said Raj Parker, a partner with the U.K. law firm Freshfields who is representing the Alexander & Alexander Services Inc. units that are third parties to the action. "We are closer than we've ever been."

A settlement is more likely now because "people are focusing on the fact that the trial's too horrendous to contemplate, and the legal expenses are horrendous," Mr. Parker said.

404(c) compliance costs outweigh benefits to CNA

By SALLY ROBERTS

CHICAGO—Compliance with voluntary federal regulations that make it easier for employers to avoid fiduciary liability for employees' savings plan investments is an option that at least one large company isn't taking.

Chicago-based CNA Insurance Cos. has decided it is too costly to fully comply with the Labor Department's 404(c) rules, which are intended to help the sponsors of 401(k) plans and other savings plans reduce their liability for investment losses.

Although CNA has missed the Jan. 1 deadline for compliance, executives aren't worried about any added liability exposure. The insurer has expanded its 401(k) plan investment options and has increased efforts to educate plan participants about investments.

Fiduciary liability "is a concern, but not a major concern," said Charles Racansky, assistant vp-employee benefit planning for CNA.

At the beginning of the year, CNA added three new investment options to its 401(k) plan, in which participants can direct company-matched contributions in 10% increments, Mr. Racansky explained. CNA matching contributions amount to 70% of employee contributions, up to 6% of a participant's salary.

However, all employee contri-

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Denial of benefits rejected

Ruling shows need for careful wording of plan language

By DAVE LENCKUS

ATLANTA—Another federal appeals court ruling underscores the importance for employers of carefully drafting welfare benefits plan language that gives plan administrators authority to interpret and administer plans.

An 11th U.S. Circuit Court of Appeals panel ruled 3-0 on Jan. 4 that Marriott Corp.'s denial of long-term disability benefits for a former employee is subject to court review because the plan did not specifically give the plan administrator discretionary authority to construe plan terms.

Though the ruling was made in an LTD claim dispute, it would apply to any qualified Employee Retirement Income Security Act plan.

Like a 3rd Circuit panel's recent ruling that health and pension plan benefit changes are void unless the plan contains specific amendment procedures (*BI*, Jan. 10), the 11th Circuit panel's ruling shows that courts will "strain" for ways to protect employees' benefits under qualified ERISA plans, said employer attorney Kenneth Wile, a partner with Mayer, Brown & Platt in Chicago.

Others, though, say that since the U.S. Supreme Court already has ruled in a similar case, the greater significance of the 11th Circuit panel's ruling is that it allows a federal court to consider

Continued on page 18

Another player rounded up in fraud scheme

Teale associate sentenced

By DOUGLAS McLEOD

MOBILE, Ala.—A California surplus lines agent has been sentenced to 33 months in jail for participating in a massive insurance fraud scheme organized by con man Alan Teale and his wife, Charlotte Rentz.

Raymond S. Cowan, president of Cowan Surplus Lines Insurance Services Inc. of Sherman Oaks, Calif., is the first defendant to be charged and sentenced in the alleged conspiracy since Mr. Teale and Ms. Rentz themselves received long jail terms last month.

Mr. Cowan agreed last year to plead guilty to a mail fraud charge and to cooperate with prosecutors.

A document outlining the criminal charge was originally filed in federal court in Mobile last August but was sealed until sentencing last week before U.S. District Judge Richard Vollmer Jr.

The 33-month sentence, recommended by prosecutors, was the minimum Judge Vollmer could have imposed under federal sentencing guidelines. Mr. Cowan will not be eligible for parole.

Mr. Cowan was charged with aiding Mr. Teale and Ms. Rentz in "a con game designed to defraud consumers who were tricked into believing they were buying insur-

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Cold weather losses

Insurers expect avalanche of small claims

By MICHAEL SCHACHNER

The arctic weather that socked the Midwest and much of the East Coast last week could develop into another catastrophic nightmare for the insurance industry.

As the deep freeze began to lift late last week, insurers were preparing to field what could eventually amount to a very large number of mostly small, cold weather-related claims.

Insurers say most claims arising from the weeklong cold snap will stem from frozen pipes and resultant water damage and will be relatively small individually.

The 23 states that were hit with subfreezing temperatures could spell thousands, maybe even hundreds of thousands, of claims.

"Claims won't be large, but there'll no doubt be a lot of them," said Sean Mooney, senior vp and economist with the Insurance Information Institute in New York. "Like last year's blizzard, the worst concentration of losses will come from states not accustomed to severe winter weather. Washington, D.C., and Virginia have a lot more difficulty with freezing weather than do Chicago and Minneapolis."

Wednesday afternoon and all day Thursday federal government

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Congress expected to favor a hybrid of reform proposals

By MARK A. HOFMANN

WASHINGTON—What you see is *not* what you're going to get—that's about the only certainty as Congress prepares to debate health care reform.

President Clinton's 1,362-page proposal is only one of a half-dozen health care reform bills currently before the House and Senate.

The final reform package—assuming that one wins congressional approval before November elections—will most likely be a hybrid of these. And the hybrid that could result most likely will be far less sweeping than the president's.

"The bill which will be finally passed in late October of this year has not yet been written. I think the final piece of legislation will be a legislative potpourri, an amalgam of provisions that are politically and economically salable," said Stuart Brahs, vp-federal government relations for The Principal Financial Group in Washington.

"I think we're likely to get a bill by October" that is not as comprehensive as the administration's, said Frank McArdle, a consultant with Hewitt Associates in Washington.

"That means purchasing cooperatives for small employers and individuals to buy coverage, insurance market reforms and the elimination of pre-existing-condition exclusions, and some subsidies for low-income people to purchase coverage," he said.

"I would be very, very surprised if you have a full-blown employer mandate," said Mr. Brahs.

Mr. McArdle agreed, saying that an employer mandate to provide health coverage would likely be phased in over years, starting with a mandate on the largest employers.

"I think there's a real chance that some sensible reforms will be enacted that would make our members happy. I think it's a fait accompli that we're going to have elimination of pre-existing-conditions restrictions and mandated portability, and I think there is likely to be some sort of a managed competition approach," said Joel Wood, vp-government affairs for the Council of Insurance Agents & Brokers in Washington. Although the council's membership is made up of property/casualty insurance agents and brokers, employee benefit-related activities account for nearly 30% of their business, he pointed out.

The numbers simply aren't there to pass any of the competing health care proposals in its present form, Mr. Brahs said.

In the House, the president appears to have peaked with the support of about 180 Democrats, some of whom are also counted among the 100 or so House Democrats and one left-wing independent who support a single-payer system, business lobbyists say.

In the Senate, the Democrats—who currently hold 56 seats—lack the 60 votes needed to block a Republican filibuster.

Only one GOP lawmaker in either chamber, Sen. James Jeffords of Vermont, has endorsed the Clinton plan.

GRAPHIC BY CHRIS ROY

"I would be very surprised if any other Republican, at least visibly, endorses it. I think party solidarity will be very important on this," said Mr. Brahs.

But the Republicans themselves are split into factions, each supporting a different competitor of the Clinton health care reform bill.

Vying for their attention are:

• The Cooper-Grandy proposal. A group of primarily Southern Democrats led by Rep. Jim Cooper, D-Tenn., and a group of GOP moderates led by Rep. Fred Grandy, R-Iowa, are backing a

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Flex plan support is strong despite tax outlook: Study

By LOUISE KERTESZ and CHRISTINE WOOLSEY

Reports of the untimely death of corporate flexible benefit programs have been greatly exaggerated, as Mark Twain might have said.

By eliminating the tax advantages for employee contributions for health benefits, President Clinton's health reform proposal appears it would spell the end of flexible benefit plans (*BI*, Sept. 20, 1993).

But a new survey indicates that employers that have flex plans see their future much differently.

Most of the 133 employers surveyed by Towers Perrin said they would continue to offer flex plans, in spite of the likely loss of health benefits as a tax-favored option.

"Employers seem to be saying, 'There are a lot of strategic reasons for the benefit delivery systems we offer.' And the reason they offer flexible benefits is not based solely on the tax-favored status" of health benefits, said Pat Milligan, Towers Perrin's flexible benefits practice leader in Stamford, Conn., and principal author of the survey.

Tax advantages may be the most important variable for some companies, though.

Employers with scaled-down flex programs—those that feature only pretax employee health care contributions or a flexible spending account—may be more likely to eliminate their plans than employers with fully-developed flex plans that feature an extensive menu of options.

That is because employers with scaled-down flex plans may have set them up mainly for tax advantages, while those with full flex plans probably did so to increase employee choice, explained Ms. Milligan.

Park Nicolet Medical Center in Minneapolis implemented a relatively simple flex plan in 1988, primarily because of the tax issue, said Cornell Anderson, vp of human resources.

But eliminating the tax-favored status isn't reason enough to drop the plan, he said. "You have to ask yourself, 'What is the objective of the program?' Partially, it's to take advantage of the tax law, but it goes much further than that."

Harris Corp. in Orlando, Fla., began offering employees choices about how their benefit dollars were spent before there were tax advantages for flex plans. "We offered choice in the first place, and when the tax advantages became apparent, we considered it a windfall," said Ron Wyse, director of employee benefits. The communications and electronics firm currently offers a choice of medical and dental benefit arrangements, as well as pretax health care and dependent care reimbursement accounts.

"We added reimbursement accounts for tax reasons, but if that goes away, we're still faced with giving employees choices. There is utility in choice—with or without a tax advantage," Mr. Wyse said.

Other employers agree. About

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Work comp fee schedules

Federal comp plan could boost use of Medicare fee schedules

By MEG FLETCHER

WASHINGTON—The federal government hopes to control its workers compensation costs for civilian employees by adopting some aspects of the Medicare fee schedule for provider reimbursement.

If approved, the move could encourage other federal programs—and state governments—to adopt similar medical fee schedules to help control public- and private-sector workers comp costs.

The Office of Workers' Compensation Programs in the U.S. Department of Labor recently proposed updating its rules for providers submitting workers comp medical bills for reimbursement under the Federal Employees' Compensation Act.

FECA covers 3 million federal employees, including civilian postal and defense workers across the country.

The federal workers comp program currently uses a fee schedule adopted in 1986. Current law requires use of a system of "relative value units and other factors" to set fees.

The federal program used a model developed by Washington state because, at that time, it had one of the only comprehensive fee schedules that employed a nationally recognized coding system for medical procedures and services.

In 1992, Washington state adopted a new set of relative values for setting workers comp medical fees that is similar to those devised by the Health Care Financing Administration for Medicare reimbursement.

"The relative value scale in Medicare's resource-based fee schedule has three distinct components—physician work, practice expense and malpractice expense," according to the Physician Payment Review Commission, a group established by Congress to improve the methods for paying physicians and control costs under Medicare.

The federal workers comp program covers 3 million federal employees, including civilian postal and defense workers across the country.

The Medicare program began implementing the fee schedule Jan. 1, 1992, though the transition will not be complete until 1996.

To keep pace with changing systems of reimbursement, the federal Office of Workers' Compensation Programs is now proposing several changes, including adopting the relative value units for treatment, where applicable, according to the proposed changes outlined in the Nov. 24, 1993, Federal Register.

Larry Rogers, director of the OWCP, predicts the proposed changes will be accepted after the OWCP reviews any written comments on its proposal received by today.

Mr. Rogers considers the proposed changes routine, though the federal government may eventually make greater use of the Medicare fee schedule.

For example, OWCP officials are tentatively considering adopting a similar fee schedule for cases involving workers covered by the Longshoremen's and Harbor Workers Act, another federal compensation program overseen by Mr. Rogers.

In addition it's possible that the OWCP could adopt a more complete version of the Medicare fee schedule once it is fully implemented in 1996, Mr. Rogers speculated.

Employer and insurer observers are encouraged by the current OWCP proposal and that federal workers comp programs may be heading toward greater use of the

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NFL fields coverage for Super Bowl risks

ATLANTA—The country music stars featured in the Super Bowl XXVIII halftime show won't be singing any sad ballads about inadequate liability insurance for any Super Sunday-related events.

The National Football League has at least $65 million of general liability insurance to cover Sunday's game at the Georgia Dome in Atlanta as well as its third annual "NFL Experience" exhibition at the World Congress Center. The exhibition kicks off on Wednesday.

TIG Holdings Inc. of Los Angeles writes the primary layer of coverage and various excess layers. Domestic insurers write other excess layers.

The coverage was placed by Willis Corroon Group P.L.C. of New York through Aon Corp. unit K&K Insurance Group Inc. of Indianapolis.

TIG also writes a $5 million liability policy that covers Select Productions International Inc. of Tustin, Calif., for its risks in producing the game's halftime festivities.

Scheduled performers in the halftime show are Travis Tritt, Tanya Tucker, Clint Black and Naomi and Wynonna Judd. The show also will include lighting and other special effects and will be the first halftime event in the stadium in which all lights will be turned off.

AP/Wide World Photo
The Georgia Dome

About 100 Select Productions employees and 2,000 volunteers are involved in the event, said Dennis M. Despie, president of the production company.

The liability policy covers Select for about a six-week pre- and post-production period, he said.

Broadcaster NBC purchased coverage for the event, but details were unavailable.

—By Dave Lenckus

A&A

Continued from page 1

that was the impetus behind Mr. Irvin's departure, said Robert E. Boni, the five-year outside A&A director who was named non-executive chairman last week. Mr. Boni, former CEO of steelmaker Armco Inc., is also chairman of A&A's executive committee.

Poor operating results, "accidents that have occurred," and a desire to separate the roles of chairman and chief executive were all factors in Mr. Irvin's departure, he said.

CEOs have a tenure of about five to six years, said Mr. Boni. "Mr. Irvin is 60 years old, has been CEO for seven years and there is certainly a rapidly changing environment."

Analysts who track A&A say the brokerage needs new and fresh ideas and is looking for them outside the company.

Members of the search committee will not be "knocking on any office doors down the hall from Mr. Irvin," said Mr. Smith of Lehman Bros. That would rule out Mr. Irvin's longtime No. 2 at A&A, Michael K. White, deputy chairman and executive vp.

The search profile that A&A is using precludes an inside person, said John L. Ward, CEO of Ward Financial Group in Cincinnati.

The profile calls for "someone who has run a global company under difficult conditions and has been successful at it," he said. No brokerage background is required.

Not requiring brokerage experience is an unusual but healthy move, said Mr. Ward. A&A needs fresh thinking in the management structure and a non-industry person could well make changes quickly.

Mr. Boni agreed that "a fresh leadership style and a fresh assessment of the environment" is needed. He said the new CEO would probably come from outside the company, but said that an outsider was not "an absolute certainty."

He cited other major corporations like General Electric Co. and Eastman Kodak Co. that have successfully tapped outsiders as CEOs in recent years.

One big-name insurance executive who will not fill the A&A post is Ron Forrest, the former chairman and CEO of A&A's U.S. retail brokerage operations, who left the company last year.

Last week, British brokerage Bain Clarkson Ltd. announced that Mr. Forrest in March will become CEO, succeeding Simon Arnold, who will remain chairman. Bain Clarkson is also splitting the role of chairman and chief executive.

Change at Alexander & Alexander should not be limited to the executive suite, say officials at the brokerage and outside analysts.

David Seifer, an analyst with Donaldson, Lufkin & Jenrette Inc. in New York, calls for a total restructuring. "They've got to reduce expenses and increase market penetration, both domestically and internationally, in order to be a global factor in the next 10 years. That will be a requirement for the replacement."

One change the company has already decided on is to add responsibilities to its executive committee, Mr. Boni said. The committee is generally used to expedite decisions in emergencies. Now the directors will be used to achieve more "rigorous oversight of the management process," he said.

The brokerage also plans to change its management style, Mr. Boni said.

"I grew up in research and learned that research people didn't operate very well in an environment in which they were not empowered to be creative. I feel an obligation to help develop an environment in which people can be creative."

He hopes a new, more "participative and consultative" style will boost sagging morale. "It's going to be fun to come to work everyday," he said.

As chairman, Mr. Boni will be act as a "monitor" as opposed to the CEO, who will lead and manage the company. But he anticipates that his philosophy will be adopted when the new CEO is hired. "I am chairman of the hiring committee," he noted.

In the interim, A&A is striving to be profitable, retain its employees and expand its customer base, Mr. Boni said. In addition, A&A is focusing on not doing "anything dumb to make it difficult for the CEO," he said.

At A&A, "every now and then a bomb drops," he said, referring to the tumultuous past decade.

Instead, Mr. Boni would like to see an open environment where clients are "always thought of as kings and queens" and shareholders cease "writing nasty letters."

A&A has nine directors, of which only two—Mr. Irvin and Mr. White—are current A&A executives. Besides Mr. Boni, the other directors are: Kenneth Black Jr., insurance professor emeritus at Georgia State University; John A. Bogardus Jr., retired chairman and CEO of A&A; Peter C. Godsoe, president and CEO of The Bank of Nova Scotia in Toronto; Angus M.M. Grossart, managing director of Noble Grossart Ltd., a U.K. merchant bank; Vincent R. McLean, former executive vp and chief financial officer of Sperry Corp.; and William M. Wilson, retired deputy chairman and executive vp of A&A. BI

Federal suit alleges fraud in union plan

TAMPA, Fla.—The Labor Department is suing several companies and individuals connected to a purported union health plan that has left more than $1.1 million in unpaid medical claims in several states.

The suit, filed in U.S. District Court in Tampa, names:

- America's Business & Professional Employees Assn., which represented itself as a union; Walter Hogancamp, who formed the organization in 1987; and Margaret Hogancamp, his wife, who acted as ABPEA's president.
- Sun Marketing Enterprises Inc., a plan marketer owned by Mr. Hogancamp.
- Employee Benefit Systems Inc., the plan's administrator; Planned Investment Co., an employer bargaining agent; and Marshall Waren, director of both companies.
- Park Avenue Associates, another administrator; Peter R. Heckmann Ltd., a plan marketer; and Peter R. Heckmann, owner of both firms.

The complaint charges that the defendants marketed the plan to high-risk individuals with pre-existing conditions, failed to charge adequate premiums or set adequate reserves and collected "excessive and unreasonable" marketing and administration fees.

The plan was sold to about 1,500 participants in 10 states.

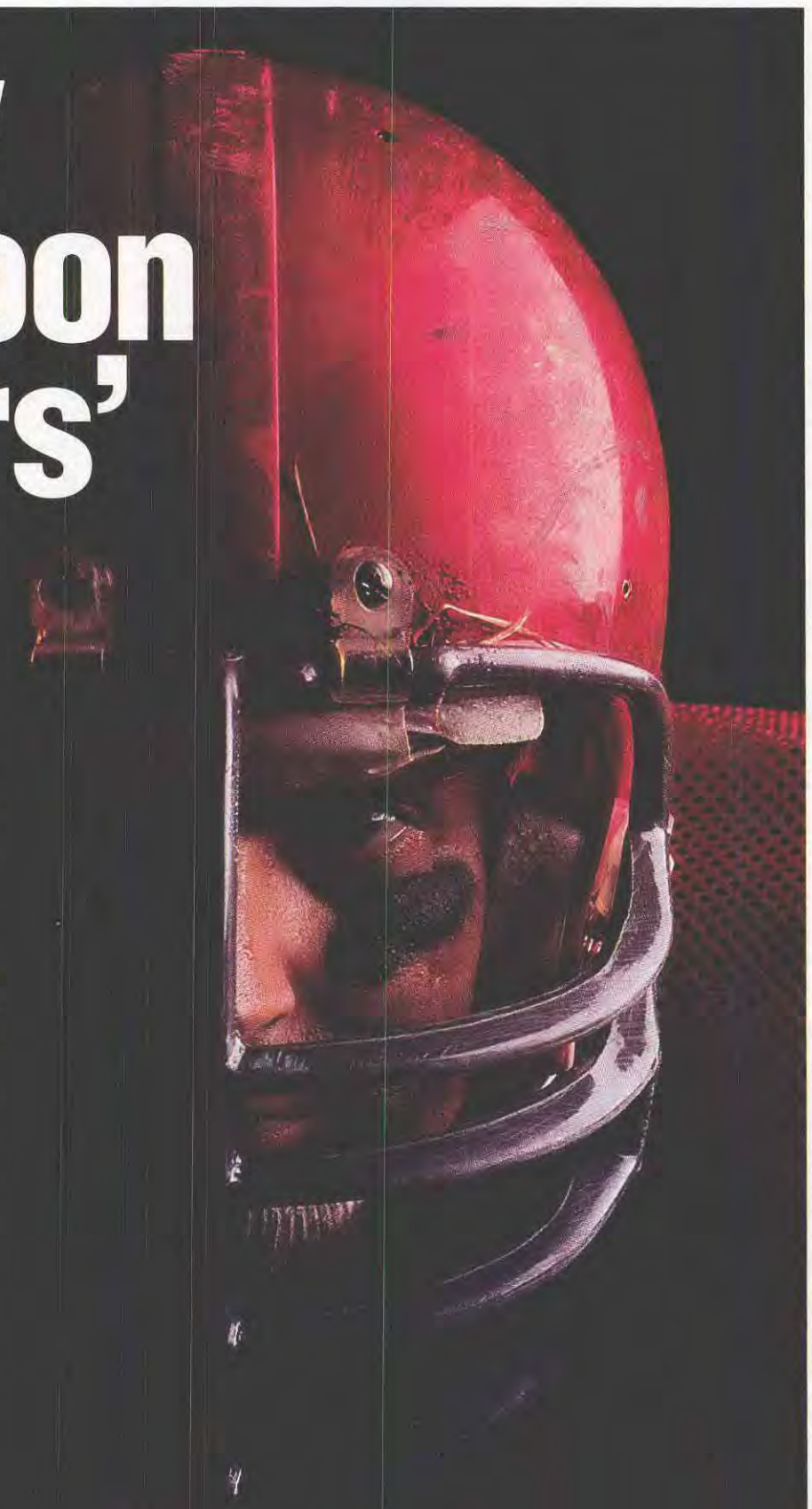
Alleging breach of fiduciary duty, the suit seeks an order forcing the defendants to cover unpaid claims and barring them from operating benefit plans in the future.

Margaret Hogancamp declined to comment on the suit. The other defendants could not be reached.

None has yet filed an answer to the complaint.

—By Douglas McLeod

Sunday Afternoon Workers' Comp



When several professional football teams needed a responsive, cost-effective insurance program to address their unique workers' compensation exposures, Commonwealth Risk was there to help.

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$9.9 million awarded against A&A in suit

By SALLY ROBERTS

BALTIMORE—Alexander & Alexander Inc. will appeal a $9.9 million jury award for breach of contract stemming from a dispute over package policies for fast-food restaurants.

A federal jury in Baltimore found that A&A breached an exclusive marketing contract with Preferred Employers Group Inc., which designs such insurance programs. The Miami firm charged that the brokerage had usurped its plan to offer workers compensation and property/casualty insurance to fast-food restaurant franchisees.

The award was handed down Jan. 13.

PEGI President Howard Odzer wanted to form an entity to pool fast-food franchisees' workers comp exposures, in addition to providing the franchises with other property/casualty coverages, according to the complaint. He approached A&A to find the necessary insurers to underwrite the coverages on a national basis.

For two years, A&A said it couldn't find an insurer that would offer the package deal. But, in fact, it had found two insurers and had started soliciting PEGI clients through one of its own subsidiaries, said PEGI's attorney, Gerson Mehlman of Mehlman & Lax in Baltimore.

The smaller firm relied on the word of high-ranking A&A officials that the agreement was exclusive, added Melanie Stevens, another attorney with Mehlman & Lax.

A&A contends that the agreement was neither exclusive nor "absolute." Nothing in the agreement to provide a package policy for PEGI prohibited other A&A offices from selling a similar product, said Sally Samuel, corporate counsel for A&A.

Under the fast-food program, participating restaurants would pool their workers comp loss experience. PEGI, together with an outside third-party administrator and insurance broker, would handle the insurance selection, pricing and claims administration for the chains. PEGI also would analyze claims information and suggest ways for participating restaurants to improve their safety records.

PEGI said that in 1988 A&A entered an exclusive agreement to find insurers and set up the program. Then, in 1989, PEGI became aware that two agents at A&A of Texas Inc. had solicited Argonaut Insurance Co. to underwrite a workers compensation program for Burger King franchisees. At the time, the brokerage assured the firm that such activities had ceased, according to the complaint.

PEGI was informed in 1990, after a meeting with Reliance Insurance Group, that the insurer had already committed to deal on an exclusive basis with A&A of Texas in underwriting a similar program.

PEGI filed suit against A&A and several affiliates in 1992 for breach of contract, among other complaints.

"We will be appealing the decision," Ms. Samuel said.

A&A would not disclose whether it has coverage that would respond to the award. However, in the third quarter of 1993, A&A increased its reserves for unspecified professional liability claims by $13.5 million, and it reported a $4.1 million loss for the quarter (*BI*, Nov. 8, 1993). BI

Robert F. Corroon

Longtime brokerage executive dead at 71

NEW YORK—Former Corroon & Black Corp. Chairman Robert F. Corroon, whose career spanned a period of tremendous growth and consolidation in the insurance brokerage industry, died last week after a long illness. He was 71.

Born in New York, Mr. Corroon attended Williams College in Williamstown, Mass., before graduating from the University of Arizona in 1945. He then joined Corroon & Reynolds, a New York brokerage firm his father and uncle had founded in 1905.

The firm merged with C.R. Black Jr. Corp. in 1966 to become Corroon & Black.

Mr. Corroon was named president in 1972 and chairman in 1975.

From 1972 until his retirement in 1989, Mr. Corroon saw the firm expand from $22.5 million in gross revenues and 575 employees to $456.8 million in revenues and nearly 5,000 employees.

Corroon & Black merged with Willis Faber Group P.L.C. in 1990 to become Willis Corroon Group P.L.C., which is now the world's fifth-largest broker. Mr. Corroon continued to serve the merged company as a director.

"Bob Corroon's stature in our industry was that of a statesman of the first rank," Willis Corroon Chairman Roger J. Elliott and Chief Executive Richard M. Miller said in a statement. "He was a superb businessman and leader, and his planning and vision helped guide our group to the position of prominence that it occupies today."

Mr. Corroon was also a trustee of the New York-based College of Insurance for 16 years and was honored in 1989 with the endowment of the Robert F. Corroon Chair of Insurance and Risk Management.

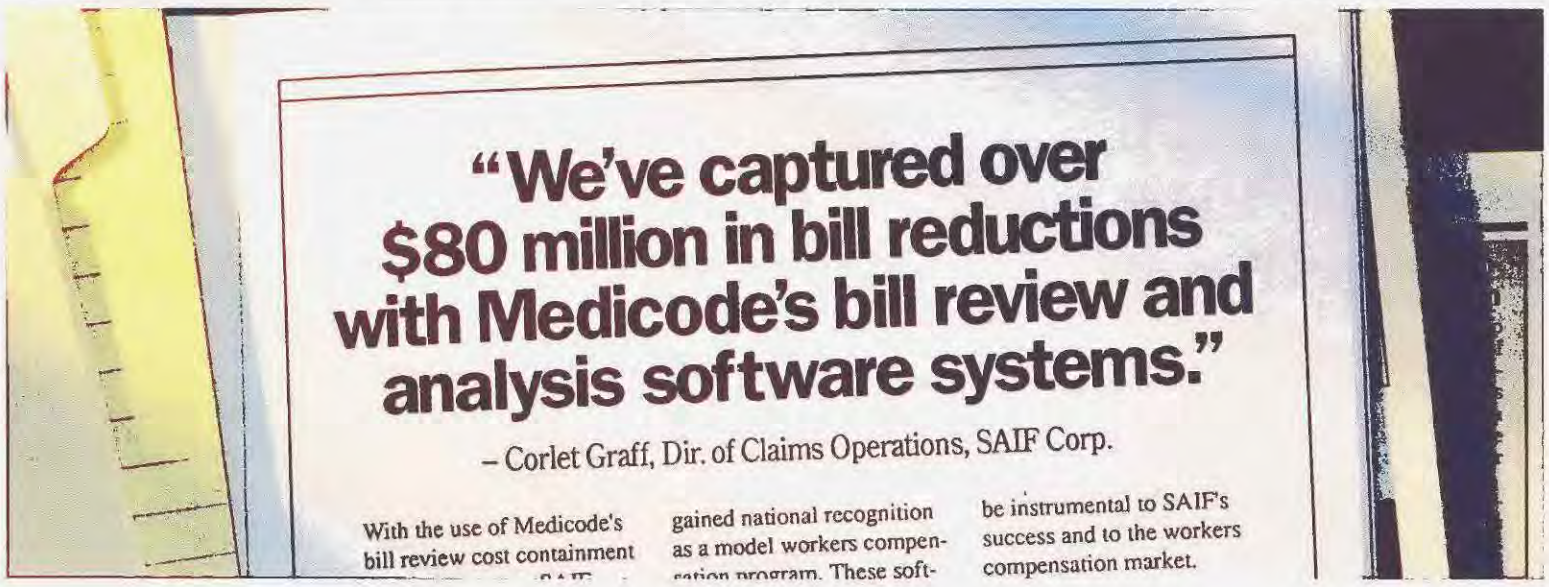
"Bob played a vital leadership role in the college," said College President Ellen Thrower.

"He was a one-of-a-kind person, and you're very lucky to run across some one like him in education."

"We considered him part of our family, and we will miss him greatly," Ms. Thrower said.

Mr. Corroon is survived by his wife, Helen Maitland Corroon, six children, two grandchildren, two brothers and a sister.

—By Douglas McLeod



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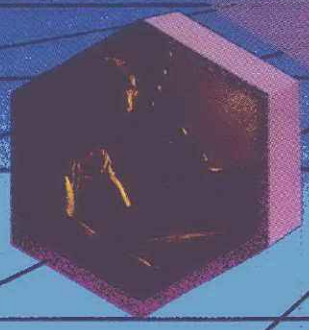

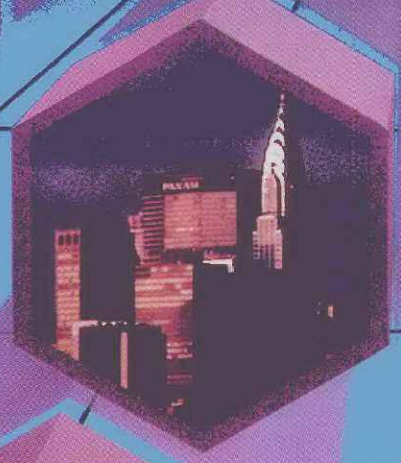

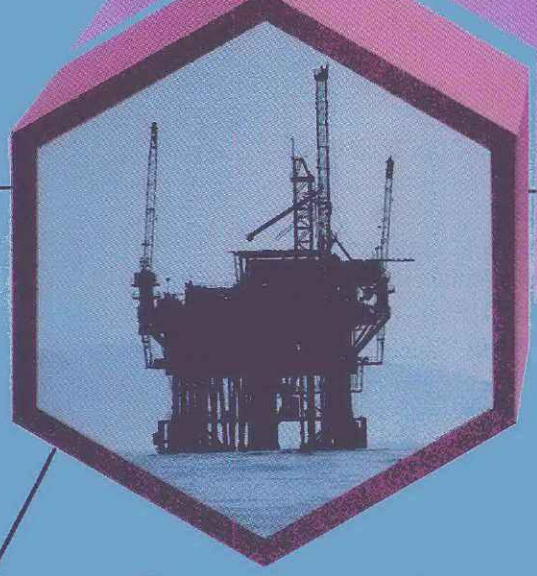

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Opinions

Preparing for the 'Big One'

After last week's devastating earthquake in Los Angeles, many Californians are undoubtedly saying, "Enough is enough." That reaction is understandable, given the spate of disasters—both natural and man-made—that have rocked California in the last few years.

California has been hit with no fewer than four catastrophes in less than five years. The disaster toll includes the 1989 Loma Prieta quake, the costliest earthquake in U.S. history, which caused $7 billion in damage in the San Francisco area, of which only $1 billion was insured. In 1991, insured losses from fires in Oakland totaled $1.7 billion. The 1992 riots in Los Angeles caused $775 million in insured losses, while the brush fires that blazed in Southern California last fall caused nearly $1 billion in insured losses.

While it could be some time before there is a final tally, the damage from last week's quake, some experts say, could exceed that of the 1989 San Francisco quake.

We offer our deepest condolences to the victims.

Just as Californians have had their fill of disasters, we have had our fill of politicians seeking to exploit disasters—chiefly by bashing insurers—for their own gain. Some public officials, looking to curry favor with the public, undoubtedly will point to insurers, charging they can't be trusted to pay claims promptly.

Those charges most likely will be unfair. Amid so much destruction, it can be difficult for adjusters to immediately enter an area even if an insurer has a disaster response plan with state-of-the-art sophistication. And adjusting and processing thousands of claims can't happen overnight, no matter what resources are available.

We believe that most insurers recognize that responding quickly and fairly when disaster strikes is in their own best interests, as well as their customers'. The policyholder who is treated well is likely to stay with the insurer year in and year out.

For insurers, catastrophes can be a public relations success. Recognizing that, more insurers are beefing up their disaster response teams. And, victims of recent disasters, like Hurricane Andrew, generally have given insurers good marks for their claims response.

But, there always are going to be questions over whether insurers can do more to protect policyholders

from catastrophe losses. Earthquake policies, for example, require high deductibles, causing critics to question whether the coverage is worth the premium. However, the high deductibles are necessary because insurers cannot spread earthquake risks across the nation—or even throughout the state of California—as they spread fire and other property risks.

While last week's quake likely will not tax insurer's financial wherewithal, "the Big One"—whether that is a much more powerful California earthquake or a fierce hurricane that rips through downtown Miami—could.

As long as a single natural disaster could threaten the financial strength of the U.S. property/casualty insurance industry, more thought must be given to creating a federal catastrophe fund that would be triggered if insured losses exceed a certain level. We have supported the Natural Disaster Protection Act, which would create such a fund to lend certainty and stability to the insurance industry following a mega-disaster, in its various incarnations for years. Now, it's time for legislators in Washington to take a close look at this proposal—before the Big One finally does hit.

Letters

NAIC giving short shrift to risk retention groups

To the editor: In the Jan. 3 Perspective, "Regulators' Actions Misunderstood," William McCartney discusses the National Assn. of Insurance Commissioners' recently adopted model law on fronting and state regulation of risk retention groups for NAIC accreditation purposes.

It is not clear whether Mr. McCartney realizes that risk retention groups are group captives. He seems to be separating the two and focusing on the point that all captives are single-parent captives owned by companies that have risk managers who are members of the Risk & Insurance Management Society. He also doesn't seem to realize that risk retention groups also are organized as mutual or stock insurers.

In talking about "innocent victims in other states who will be left holding the bag. . .," Mr. McCartney states: "I ought to know: The only risk retention group domiciled in my state, Nebraska, was found to be insolvent. . .and people. . .will not receive full recovery on legitimate claims."

He is talking about Charter Risk Retention Group Insurance Co., which was formed by E.J. Cantwell to insure the liability risks of auto and truck rental businesses and limousine operators. Prior to the Risk Retention Act of 1986, I believe, it was a Nebraska-domiciled commercial mutual insurer. After passage of RRA '86, it reorganized as a risk retention group.

In 1991, it filed a plan with the Nebraska Department of Insurance to convert from a mutual to a stock company. This reorganization also established a new insurer: Nebraska National Charter Insurance Co., which was authorized by Nebraska on Jan. 1, 1991, and intended to write quota-share risk retention group business. Charter Risk Retention Group Insurance Co. was declared insolvent and placed in liquidation by Nebraska regulators on Dec. 3, 1992.

This whole episode was hardly a history of similar individual and independent businesses banding together to pool their liability risks. It was an entrepreneurial effort from the start. There's nothing wrong with that, but it doesn't comply with the spirit, if not the letter, of RRA '86. Had the "innocent victims" truly been owners/policyholders of a properly structured risk retention group, they would not have been innocent victims. Most informed observers feel that Charter would not have been licensed as a risk retention group in Vermont, Hawaii, Colorado or Illinois.

Yes, Mr. McCartney, you ought to know. He is chairman of the NAIC's Accreditation Committee. His committee has already accredited Colorado and Georgia, two states with captive laws similar to those of Vermont, which has not been accredited. At the end of 1992, Colorado had seven risk retention groups domiciled under its jurisdiction and Georgia had two. Vermont had 31. Why is Vermont singled out? Could it be politics and the high-profile status of Vermont as a well-regulated domicile for risk retention groups?

Also, why, as Mr. McCartney stated in his article, does the NAIC accreditation program "not currently look at the way a state regulates its captive insurers" but isolates risk retention groups for exception? Couldn't it be that risk retention groups are part of the federal RRA '86, which the NAIC opposed from the very start? The NAIC may perceive accreditation as its means of foiling RRA '86, as least with regard to risk retention groups.

Donn P. McVeigh
Managing Director
Creative Risk Concepts International
Oakland, Calif.

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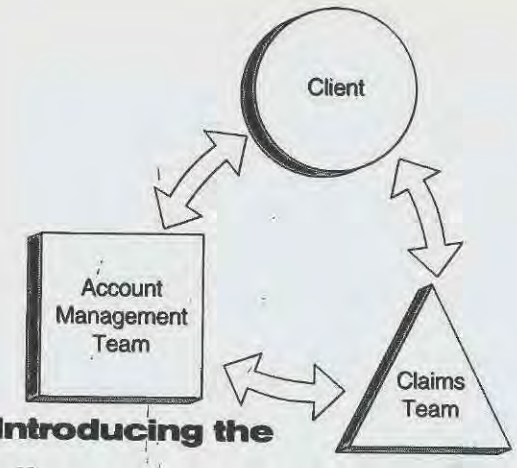

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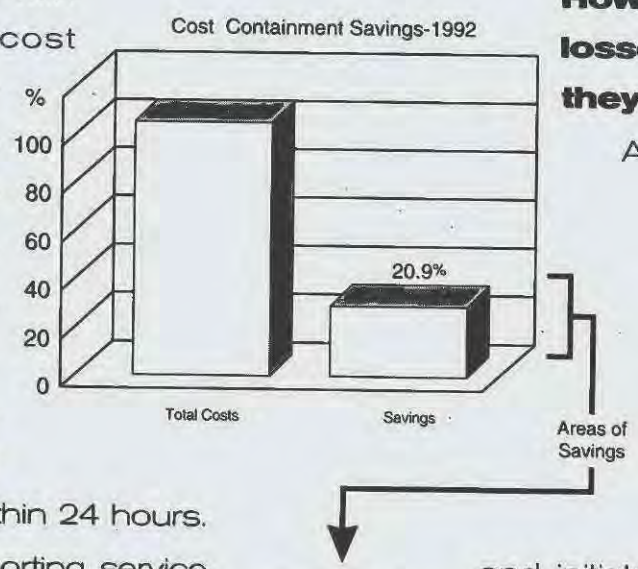

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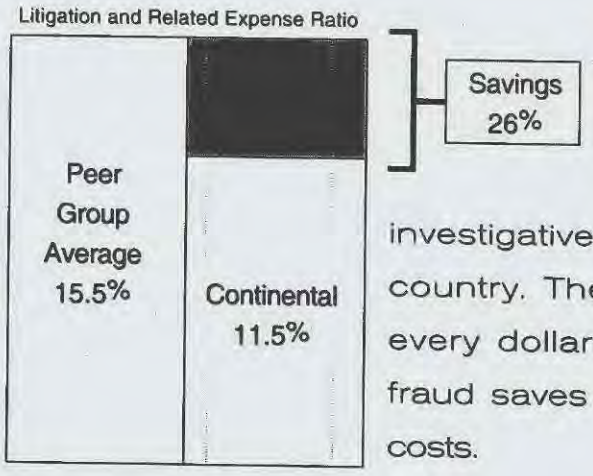

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Deere & Co. to offer family health plan

DES MOINES, Iowa—Deere & Co. will offer an additional health benefit option in 1994 to its employees, dependents and retirees, as well as to other employers in the Des Moines, Iowa, area.

John Deere Health Care Inc., a Moline, Ill.-based subsidiary of Deere & Co., and the United Auto Workers have agreed to develop a John Deere Family Healthplan staff model health maintenance organization in Des Moines.

Beginning in June, JDFH enrollees can receive primary care services from board-certified family practice physicians through a clinic to be located in a leased portion of Mercy West Medical Center, an affiliate of Mercy Health Center of Central Iowa. Mercy will provide inpatient hospital, laboratory, X-rays and other services. Physicians will be under an exclusive contract with John Deere Health Care.

The new health plan will be an additional health benefit option for about 1,900 employees of John Deere Des Moines Works and Deere Credit Services, their dependents and retirees. However, the company also will make the health plan commercially available to other employers.

Mayo Foundation for Medical Education and Research, an affiliate of the Mayo Clinic in Rochester, Minn., is advising John Deere Health Care on the project. The facility will use Mayo's disease management strategies and its medical practice guidelines. Primary care physicians will refer patients who need specialized care to Mayo if a referral outside the Des Moines area is needed.

Deere opened a primary care facility in the Quad Cities last January and is pleased with its progress, said Richard Van Bell, president of John Deere Health Care Inc. (*BI*, July 20, 1992). The company is opening an additional John Deere Family Healthplan in Waterloo, Iowa. In 1985, the company established Heritage National Healthplan, an HMO that serves Deere employees and retirees and about 300 employers throughout Illinois, Iowa, Tennessee and Wisconsin.

Deere & Co.'s decision to develop these health plans was a direct result of its skyrocketing health care costs. In 1971, the firm terminated its contract with a commercial health insurer and became self-funded. The company now provides health benefits to more than 140,000 employees, retirees and dependents. In fiscal 1992, health care costs at Deere exceeded $220 million.

—By Christine Woolsey

Reporting coverage

Many employers will have to make big administrative adjustments to comply with a provision in President Clinton's budget law that requires them to collect health care coverage information, according to a recent survey.

The survey, conducted by The Wyatt Co., sought responses to the Clinton administration's new Medicare and Medicaid coverage data bank.

Of the 227 employers that responded to the survey, 49% said the new rule would force them to make "significant changes" to their administrative systems. Thirty-four percent said they will not begin to collect the requested information until the government clarifies the requirement.

The provision requires that em-

Benefit Beat

ployers collect and report health care coverage information so that it can be put into a government data bank (*BI*, Sept. 13, 1993). The data bank is intended to help the government recoup an estimated $1 billion in claims over a five-year period that employer health plans should have paid but that were picked up by Medicare or Medicaid.

The law also aims to curb violations of the Medicare secondary payer provisions. Under these rules, Medicare may only be used as a secondary payer for Medicare-eligible individuals who are also covered under their current employer's group health plan. Medicaid provisions are similar.

The law will require employers to provide health care information on some groups that they never covered before. Now, employers will need to provide data on dependents of employees, retirees and their dependents, as well as former employees receiving health benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985.

The first such reports, covering the 1994 plan year, will be due on Feb. 28, 1995. Penalties for failure to report the proper data could run up to $1,000 for each beneficiary or dependent not included.

Only 31% of the survey respondents said they could collect the necessary data using their existing administrative systems and without making significant changes.

Wyatt also found that while 64% of the larger firms—those with 4,000 or more employees—said they would need to make significant changes in their administrative systems, only 31% of the smaller firms—those with fewer than 500 workers—said they would need to make significant changes in theirs.

Some employers will not have to make any changes at all. The survey found that 14% of the respondents already maintained coverage data and could supply it to the government when required.

Twenty-four percent of the respondents said their insurer or third-party administrator had all the required data and that they would expect them to submit the requested information.

Copies of the survey are available from the Wyatt Co.'s Gary Swegle in Washington, 202-508-4645.

—By Danielle Raymond

Child care assistance

Americans increasingly favor having employers, rather than the government, assist working parents with child care, according to a new survey.

Half of the 1,000 people surveyed last October by the Employee Benefit Research Institute said employers should be the primary provider of child care assis-

Continued on next page

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Continued from previous page
tance to working parents. In 1992, 44% of respondents said employers should play a primary role in providing child care assistance. Only 30% of those surveyed said the government should be the primary provider, down from 42% in 1992.

Fifty-five percent of survey respondents in 1993 said the government should play some role in providing child care assistance, down from 60% in 1992 and 62% in 1991.

The survey also found that a large part of the population is unaware of the passage of the Family and Medical Leave Act of 1993. Some 44% of respondents were unaware of the law. When asked if they or an immediate family member likely would use family leave within the next five years, 44% said yes.

Copies of the survey are available from EBRI's Malaika Barnes, 202-775-6338.

—By Deborah Shalowitz

404(c)

Continued from page 2
butions to the plan are automatically allocated to a fixed-income fund, which is the only investment option for employee contributions.

Under the Labor Department's 404(c) compliance guidelines, defined contribution plan sponsors must permit a participant or beneficiary to "exercise control" over his or her assets. In addition, a plan must offer at least three different types of investment options, each with materially different risk and return categories and must provide sufficient information for participants to make "informed" investment decisions (*BI*, Oct. 12, 1992).

Because the regulations have yet to be tested by the courts, there are two schools of thought about the value of compliance with the 404(c) rules, according to David C. Veeneman, national practice leader-investor education for Hewitt Associates in Lincolnshire, Ill. Some observers have come to the "conclusion that 404(c) provides no meaningful level of protection," while others believe that not complying is as reckless as giving "beer and car keys to a teenager."

Because of the heightened publicity and fear of litigation, most employers had made an effort to comply with the voluntary regulations by Jan. 1, consultants say.

For employers, "it's difficult not to make the effort (to comply) when everyone is getting sued over stupid things," said Jeff Croyle, a partner at benefit consultant Kwasha Lipton in Fort Lee, N.J., who specializes in defined contribution plans.

In today's litigious society, there is no reason why someone wouldn't want to get more money from a plan sponsor to recover losses from investment decisions, agreed Doug Edwards, managing consultant with A. Foster Higgins & Co. in Princeton, N.J.

'The limited protection was not worth the cost to comply,' says CNA's Charles Racansky.

Benefit consultants agree that most employers are in compliance or working toward compliance in an effort to limit potential liability for 401(k) losses for participants' investment decisions.

In fact, according to a 1993 Hewitt survey, only 6% of the 477 plans that responded did not intend to comply with the regulations. The remaining 94% were either already in compliance, intended to comply or were considering compliance.

Consultants say that many employers already are offering more educational programs and more diverse fund options out of a genuine concern over their employees' retirement savings practices.

The decision to take on the additional cost and effort to comply with the 404(c) regulations is up to the employer.

For CNA, reorganizing its 401(k) plan had nothing to do with 404(c) compliance concerns, Mr. Racansky said. Instead, the insurer added new funds for investing company contributions because of competition in the marketplace, recognition that younger employees would rather take more risks with their investments and because of the current low interest rates. Prior to Jan. 1, all plan assets were allocated into one fixed-income fund whose performance was tied to interest rates.

Consultants say the decision not to comply with 404(c) guidelines usually comes down to the amount of time and effort involved and whether compliance is consistent with corporate philosophies and goals.

Companies not complying "have found something in 404(c) that is of concern to them," Hewitt's Mr. Veeneman said.

For CNA, "the limited protection was not worth the extra administration cost to comply," Mr. Racansky said.

In order to comply, information about all investment options must be made available and delivered to participants, he said. Compliance for CNA would have meant hiring extra staff, hooking up additional phone lines to respond to participant inquiries, stocking additional material and extra costs for printing and mailing.

Of CNA's 15,000 employees, about 13,800 participate in the 401(k) plan.

The company asked, "What advantage did this bring employees?" Mr. Racansky said. CNA already gives plan participants enough information to make informed choices, he contended.

In addition, CNA is now allocating employee contributions into index funds, as opposed to "active managing funds," a move that lessens the company's concern over liability, according to Mr. Racansky.

CNA's index fund is indexed to the Standard & Poor's 500, which tracks the prices of 500 stocks. For example, if the S&P Index goes up 5%, the fund manager will sell securities to produce a 5% increase in the fund.

"Everyone knows about the stock market," Mr. Racansky said. "The Dow Jones and S&P averages are items employees identify with and appreciate."

On the other hand, active managing funds are more difficult to explain, he said. Each fund has a manager with a particular investment philosophy, which could range from investing in growth income funds to South American funds. "Trying to explain the different characteristics of managing funds is difficult," Mr. Racansky said.

CNA is not ruling out complying with 404(c) guidelines in the future. "It's a good scenario three to four years from now," Mr. Racansky said, noting that 404(c) was just "not that much of an advantage at this time."

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Congress

Continued from page 3

managed competition bill that doesn't contain an employer mandate (*BI*, Oct. 11, 1993). Some moderate GOP senators have thrown their lot with a similar group of Democrats to support the Senate version of the Cooper-Grandy bill.

- A universal coverage plan promoted by a GOP group led by Sen. John Chafee, R-R.I.
- A much more modest plan promoted by Sen. Phil Gramm, R-Texas. He and another group of Republicans are promoting even less intrusive reforms, such as permitting individuals to set up individual medical accounts, much like individual retirement accounts, to cover medical expenses.
- A single-payer health insurance plan, much like those operated by Canada's provincial governments.

Supporters of this option could cause trouble for the more popular plans.

"They're going to be difficult to deal with, particularly if some of the elements of the Clinton plan that they can support now start sliding to the right rather than to the left," Mr. Wood said.

Single-payer advocates' hand could be strengthened if House Ways and Means Chairman Dan Rostenkowski, D-Ill., should lose that post as a result of an ethics scandal enveloping him. Next in line for the chairmanship is Rep. Sam Gibbons, D-Fla., a longtime advocate of a single-payer system.

"But the fact is the more you go toward the single-payer solution, the more revenue there is to be raised," said Mr. McArdle, who called raising revenue "the Achilles' heel" of sweeping reform proposals.

Given the division among the Republicans, Rep. Cooper may prove to be the president's most effective opponent, said Mr. Wood, who served on the staff of a GOP congressman from Tennessee.

"In a lot of ways, Cooper carries the biggest stick of all in Congress, because he has put together the only coalition in Congress that is genuinely bipartisan" and thus established himself at the political center of the debate, Mr. Wood said.

"I think whatever package eventually passes is going to be judged by how far off it is from the Cooper-Grandy approach," he said.

Republicans and supporters of the Cooper-Grandy approach to managed competition are not the only Capitol Hill denizens setting roadblocks for the president's plan.

Senate Finance Committee Chairman Daniel Patrick Moynihan, D-N.Y., has called the revenue assumptions in the president's plan fanciful. Sen. Moynihan told a nationwide television audience that "We don't have a health care crisis in America," and he has warned the president not to ignore welfare reform in the name of health reform.

Another problem for the president is the perceived arrogance and rigidity of many of the emissaries that he's sent to push his plan on Capitol Hill. White House Senior Domestic Policy Adviser Ira Magaziner, the president's point man on health care, came under particular fire.

"To solve the problem of Ira Magaziner, they've got to hire other lobbyists," said one observer.

Another said that from Mr. Magaziner on down, most of the White House's representatives have repelled members of Congress because they have been unwilling to compromise and have unrealistic expectations.

The president is also hampered by heavy-handed attacks White House representatives have made on Rep. Cooper, said another lobbyist, who requested anonymity. An attempt by White House representatives to "bad-mouth" Rep. Cooper to Tennessee newspaper editors backfired badly, the lobbyist said.

The president does have, however, one extremely effective advocate—Hillary Rodham Clinton.

"I think the First Lady is still an asset, she's well-respected by members of Congress, she has a good command of the issues and she's a skilled negotiator," said Mr. McArdle.

"I don't underestimate the bully pulpit of the White House or Mrs. Clinton's ability to manipulate this" to the White House's advantage, said Mr. Wood.

The president will need that advocate, too, when his measure comes before the Senate Finance Committee, a lobbyist said.

"The clash of the titans will come when Hillary and Moynihan" confront each other, the lobbyist said.

All of the clashes, whether between titans or less heroic figures, will have to take place within a very narrow timetable, which is another factor weighing against the president's plan. The intricately interconnected program is spelled out in a bill that runs longer than a James Michener best seller and reads considerably less compellingly.

"It takes your breath away when you think about how you mark up a bill like this," said Alissa Fox, executive director-congressional relations for the Blue Cross & Blue Shield Assn. in Washington.

The complexity might be bad news for business interests, according to several observers. In the rush to get something passed before November, committees might not give the specifics of the bill the attention they deserve.

"The big fear is that as this overarching reform proposal moves through Congress, to make it manageable, it will be whittled down to the two mantras of universal coverage and cost containment—which to this administration means employer mandates and premium caps—and that we will lose the crux of health care reform, and that is system reform," said Ann Marie O'Keefe, director-public policy for the Washington Business Group on Health. "The WBGH has advocated for years that you cannot solve the discrete problems in health care cost, access and quality until you fix the way that health services are delivered.

"I think fast laws are bad laws," Ms. O'Keefe said.

But Mr. McArdle said that the shortage of time argues for more modest reforms than those sought by the administration.

"It's pretty obvious that unless they change their game plan, they'll come up short. The strategy to date has not been as successful as it could have been. An awful lot of time was consumed with the commission-like structure, the deliberations, the missed deadlines and all the effort that went into producing a 1,300-page bill, most of which is likely to be set aside by Congress."

"The big problem they're going to face this year is the calendar. They've got an election coming up, and they've got to get it through so many committees" and then reconcile the House and Senate versions, said the Blues' Ms. Fox.

"If it was last year, it would have made more sense. If it goes to next year, it has to start all over again; there are new members you have to educate," she said.

Even if a package is passed before the election, the legislative saga of health care reform will be far from over, said Principal's Mr. Brahs.

"The 104th Congress will have to fill in a lot of gaps and do a lot of corrections," he predicted. BI

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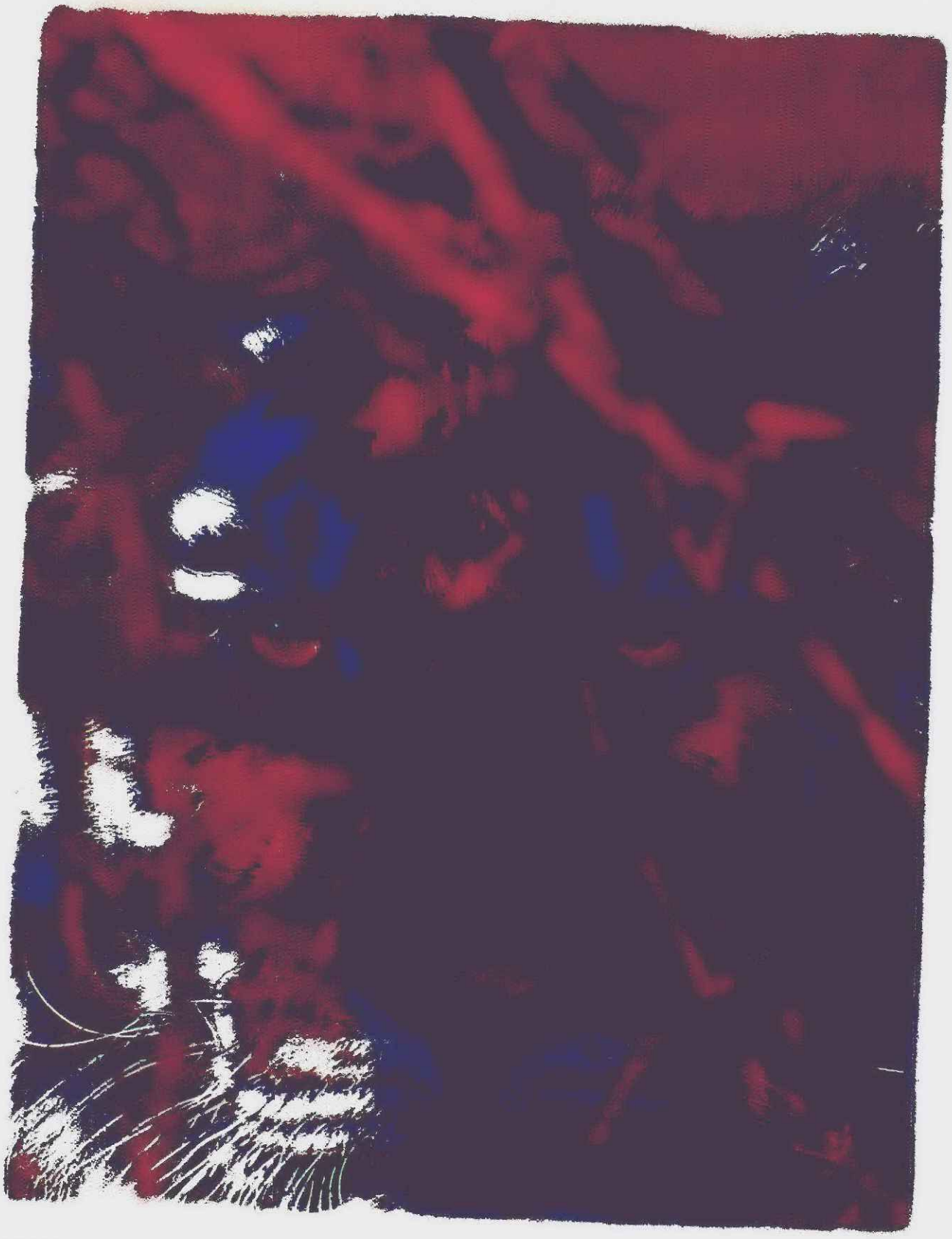

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Flex plans

Continued from page 3

half of those surveyed—47%—offer flex plans with a menu of benefit choices and the opportunity for employees to make pretax contributions toward those benefits. Thirty-eight percent offer full flex programs, which provide credits to employees that they can "spend" on benefits or receive as cash.

Surveyed employers ranged from those with fewer than 100 employees to those with more than 150,000.

About three-quarters of them offer flexible spending accounts for health care. FSAs allow employees to make pretax contributions from their salaries to pay for uncovered health care expenses like medical plan deductibles.

Most of the employers surveyed believe flex plans offer a cost-effective way to meet diverse employee needs, Ms. Milligan said. They also consider flex plans a way to distinguish their benefit offerings from competitors', even under a "standardized" national health plan.

Employers are considering a range of strategies as the specter of health reform looms. Some 57% of those surveyed said they would expand their flexible benefit options by adding more choices in non-traditional benefits like long-term care insurance, according to the survey. Sixty-five percent of employers with full flex plans said they would add non-traditional benefits.

Meanwhile, 37% said they would expand flex by offering more choices in traditional benefits like life insurance, disability and retirement programs.

Thirty-two percent said they would use other programs to give employees more flexibility in managing their work and personal lives.

Only 20% said they would eliminate flexible benefits, the survey found. Figures exceed 100% because employers could respond to more than one answer.

Long-term care insurance is the non-traditional benefit choice that employers are most likely to add to their flex plans, perhaps because they realize that it is a serious concern for many employees, Ms. Milligan said. Several reform proposals would give favorable tax treatment to employer-sponsored long-term care insurance programs, she added.

Other non-traditional options employers favor include vacation buying and selling programs, financial planning and elder care assistance.

Flexible spending accounts, however, might be one victim of health reform. More than two-thirds of the employers surveyed—69%—said they would eliminate health care FSAs if these accounts lost their tax-favored status.

Employers are less loyal to FSAs because they "see flex playing an important role regardless of tax treatment, (but) they see FSAs serving a much narrower purpose—one that begins and ends with tax savings," Ms. Milligan explained.

However, 24% of respondents said they would continue aftertax FSAs as a "health care budgeting mechanism for employees, with no employer contribution," she said.

Towers Perrin also asked employers about their overall health benefits strategy as it relates to specific health care reform measures.

Most—68%—said they would continue to sponsor their own health benefit plans if it were no more expensive than purchasing coverage through a regional health alliance. The finding may reflect employers' general distrust of government-run programs and their belief that they are doing a pretty good job of managing their own programs, according to Ms. Milligan.

Employers also indicated that they would use flex plans to offer employees benefits beyond a standard package even if such benefits were non-deductible for employers. For example, 56% said they would offer employee-pay-all flexible benefit options. Twenty-four percent would not offer supplemental benefits beyond a standard benefits package and 20% would offer supplemental benefits only with aftertax employer subsidies.

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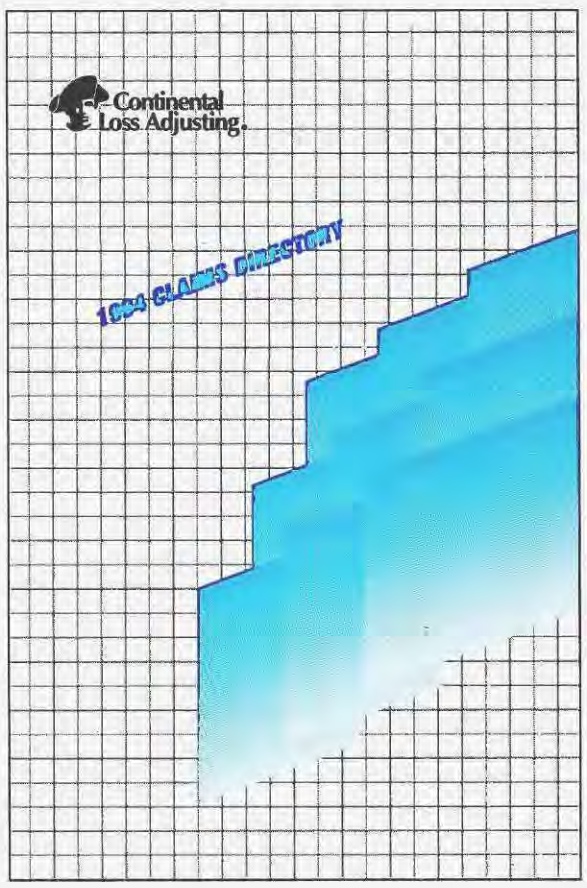

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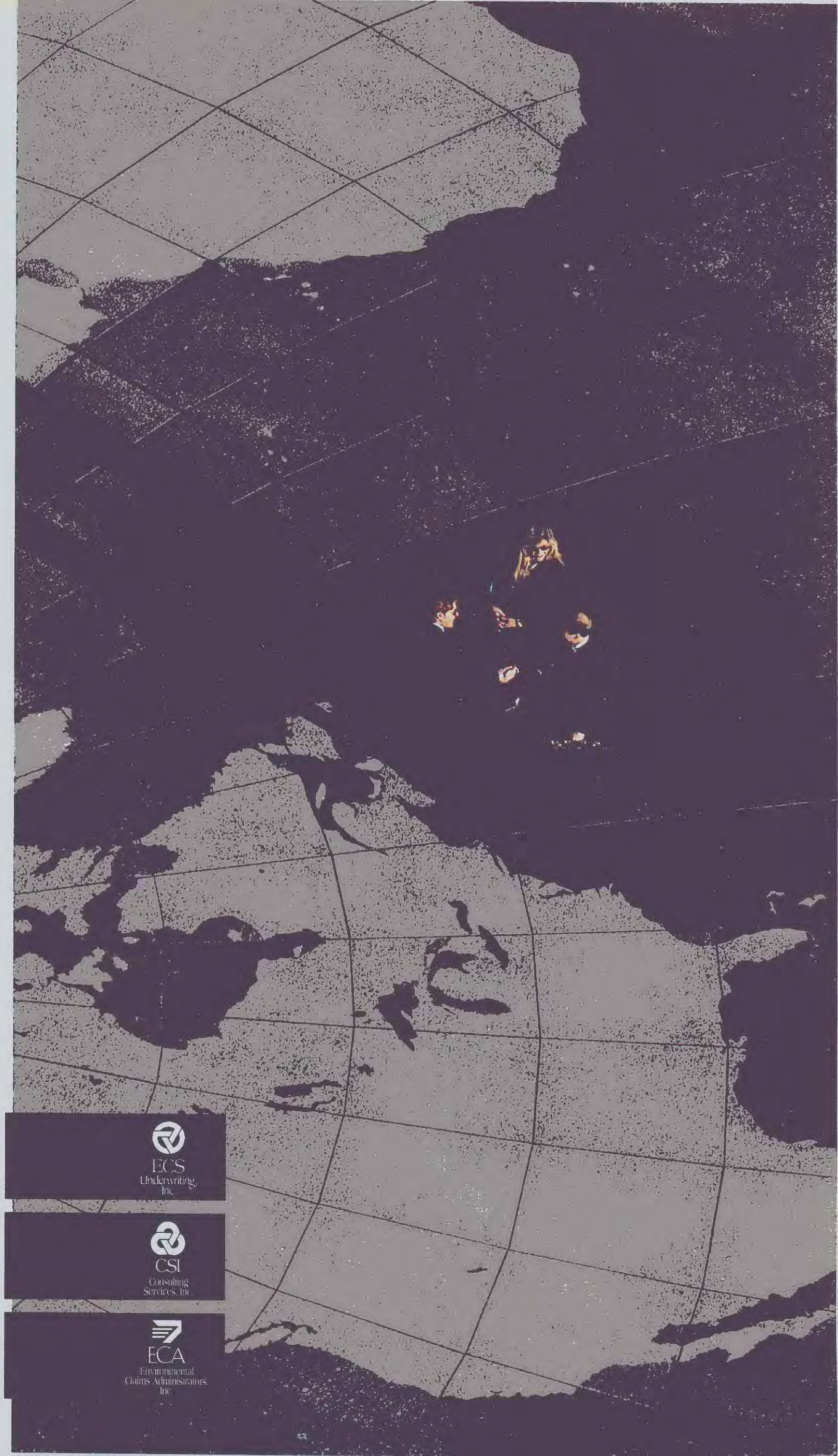

LTD ruling

Continued from page 2

evidence that the plan administrator did not have an opportunity to review.

Marriott, which self-administers its LTD plan, denied a claim filed in 1990 by Gary Kirwan, who has a progressive muscular and mental disorder.

Mr. Kirwan was a nine-year employee in Marriott's Family Restaurants Division. He had an exemplary work record during his first eight years. But, during his final year with Marriott, he was demoted because of repeated violations of company policies and judgment errors, according to court papers. Marriott fired Mr. Kirwan in June 1989 for those reasons and for failing to work scheduled days, court papers say.

Mr. Kirwan, who was 42 when he was terminated, was diagnosed in 1982 with Huntington's chorea, which causes abnormal and involuntary limb movements and increasing mental deterioration. Since he was diagnosed with the incurable condition, he has taken medication to slow its progression. But, court records show that Mr. Kirwan's medication became less effective and started causing drowsiness beginning a year before he was fired.

Mr. Kirwan sought LTD coverage in mid-February 1990 after consulting a physician, who attested that Mr. Kirwan was disabled as of his examination date earlier that month.

But Marriott rejected his claim, saying it had no evidence that Mr. Kirwan was disabled before he was terminated. The administrator noted that Mr. Kirwan had not consulted a doctor for more than a year before he was terminated.

The administrator also noted that Mr. Kirwan received unemployment compensation benefits after he was terminated. Under unemployment compensation rules, beneficiaries must be able to work, the administrator said.

The administrator agreed to review the claim when Mr. Kirwan appealed, but it denied the claim again.

Mr. Kirwan then sued in federal court, charging that Marriott violated section 1132(a)(1)(B) of ERISA. He is seeking $70,000 of LTD benefits in arrears, in addition to benefits until age 65 and attorneys fees.

He introduced additional evidence at the trial court level, including information on Marriott's knowledge of his condition and a physician's assessment that he was disabled before his termination.

In addition, he showed that the Social Security Administration granted him disability benefits and considered him disabled as of the date he was terminated.

But, in a summary judgment, a district court in April 1992 ruled for Marriott and refused to review the company's handling of the claim.

The court could have applied the so-called de novo standard and reviewed Marriott's actions only if the court had found that Marriott's actions were arbitrary and capricious. The court ruled that Marriott did not act so.

Specifically, the court found that Mr. Kirwan failed to provide Marriott's administrator with medical evidence that he was disabled and that Marriott's LTD plan language gives the administrator discretionary authority in handling claims.

But, the 11th Circuit panel reversed the decision, citing the U.S. Supreme Court's 1989 ruling in *Firestone vs. Bruch.* In that case, the high court ruled that claim denials must be reviewed under a de novo standard unless a plan "gives the administrator or fiduciary discretionary authority to determine eligibility for benefits or to construe the terms of the plan" (*BI*, Feb. 27, 1989).

The 11th Circuit panel acknowledged that Marriott's plan provides that the administrator has "authority to control and manage the operation and administration of the plan" and the authority to promulgate any rules and regulations to interpret or administer the plan.

But, "we do not read this as a grant of authority to construe ambiguous terms in the plan," the court said in an opinion written by Senior Judge Thomas A. Clark.

"The plan before us does not contain express language 'unambiguous in its design' to give the administrator discretionary authority to determine eligibility benefits or to construe the terms of the plan," Judge Clark wrote.

The court further notes that it has applied the arbitrary and capricious standard when a plan included one of several possible provisions, including that:

- Its administrator's "determinations shall be final and conclusive."
- The administrator has "full and exclusive authority to determine all questions of coverage and eligibility."

The panel remanded the case to a lower court to determine whether Mr. Kirwan is eligible for LTD benefits in light of all available evidence. Marriott, which now does business as Host Marriott Corp., has not decided whether to appeal.

The 11th Circuit panel's decision is important because the court "says which language satisfies" the standard that the Supreme Court established in the Firestone case, said plaintiffs' attorney Thomas Kennedy, a partner with Lewis, Greenwald, Kennedy, Lewis, Clifton & Schwartz in New York. Mr. Kennedy represented the plaintiffs in last month's 3rd Circuit panel ruling.

For employers, "the real problem here is the inconsistency all the way around from one LTD plan to another," said Mayer, Brown & Platt's Mr. Wile. "There's no uniform, boilerplate language you can find granting administrators such discretion."

Though it is not as significant a ruling as the 3rd Circuit's last month, the Marriott case should signal employers to review their ERISA-qualified plans and amend them when necessary to give administrators authority to interpret plan terms, said Henry Saveth, a principal with A. Foster Higgins & Co. Inc. in New York.

At the same time, employers should follow the 3rd Circuit panel's ruling and amend their plans to give them the authority to make plan amendments, he said.

Because of the Supreme Court's ruling in Firestone, the Marriott case may be more significant because of the 11th Circuit panel's decision to allow the lower court to consider evidence that Marriott's administrator did not see when it originally rejected the claim, said employer attorney Henry Lawrie, a partner at Hopkins & Sutter in Chicago.

"I don't think it's been clear if additional evidence should be allowed or not" at trial if the claims administrator had not seen it, he said. Noting that new evidence typically is not allowed on appeal, he said: "This court obviously believes that de novo means you start over."

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Gary Kirwan vs. Marriott Corp., 11th U.S. Circuit Court of Appeals; No. 92-2490.

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Comp fees

Continued from page 3

Medicare fee schedule.

Adoption of the Medicare fee schedule for workers comp cases handled under the federal longshoremen's act could save private employers money, said Charles T. Carroll, an attorney representing the National Assn. of Waterfront Employers in Washington.

A 1993 survey of employers of longshore workers concluded that they could save about 40% in work-related medical costs for 15 typical treatments if the Medicare fee schedule were used, he said.

"Employers are realizing, for health and workers comp, if they don't adopt the fee schedule, they will get costs shifted against (them)," Mr. Carroll said.

To avoid that, it makes sense to apply the fee schedule used for Medicare claims to workers comp claims, said Eric Oxfeld, assistant general counsel for the American Insurance Assn. in Washington.

The Clinton administration's health care proposal calls for a uniform fee schedule regardless of whether a medical claim is considered work-related, Mr. Oxfeld said. Greater use of the Medicare fee schedule by states is consistent with that approach, he said.

The federal government's use of a Medicare-based fee schedule gives greater credibility to that reimbursement approach and can make it easier for small states with limited resources to enact similar fee schedules, he said.

However, state adoption of the Medicare-based fee schedule for workers compensation has been "extremely controversial," Mr. Oxfeld said. Medical providers have opposed it, primarily because it cuts fees for specialists, he explained.

Pennsylvania so far is the only state that allows workers comp medical fees to be based on the Medicare fee schedule. Workers comp fees currently are limited to 113% of Medicare fees, though the state ties future updates of the fee schedule to changes in the state average weekly wage beginning Jan. 1, 1995 (*BI*, Nov. 15, 1993).

It is important to remember that medical fee schedules must include utilization controls to be effective, Mr. Oxfeld said. Otherwise, providers could increase the number of office visits or take other steps to regain revenue lost through lower per claim payments, he said.

Although good research estimates are unavailable, Medicare officials say provider changes in billing and treatment practices may offset as much as 50% of the savings from fee schedule use by states, according to the Workers Compensation Research Institute (*BI*, Nov. 29, 1993).

A committee of the National Assn. of Manufacturers recently considered the role that general medical fee schedules with utilization controls could play in controlling workers comp costs, said Mark Stuart, associate director of risk management for the Washington-based trade group. Adoption of such schedules may help stop cost shifting to employers, if the administration's health care reform plan is enacted, he said.

However, the NAM committee would prefer that the administration remove workers comp provisions from its health care plan, due to many uncertainties about how the health plan will actually work.

The committee is recommending that the full NAM board endorse a resolution to that effect when it meets in early February, Mr. Stuart said. The organization already has a policy opposing the federalization of workers compensation, he said. BI

Cowan

Continued from page 2

ance," the document said.

The scheme, which bilked policyholders out of tens of millions of dollars, involved more than two dozen shell companies, including offshore insurers and reinsurers capitalized with worthless assets and a network of underwriting, administration and claims management firms used to skim off commissions and fees, prosecutors allege.

Prosecutors specifically charged Mr. Cowan with falsely telling the California Surplus Lines Assn. that one of these companies—Brussels, Belgium-based United States & Continental Reinsurance Co. S.A.—had sufficient bona fide assets to meet state regulatory requirements for non-admitted insurers.

California regulators won a court battle to bar US&C in 1991 after concluding that the bulk of its assets consisted of "leased" penny stock (*BI*, Dec. 23, 1991). The insurer wrote $51 million in premiums in California that year.

After US&C was shut out of California, Mr. Cowan helped Mr. Teale and Ms. Rentz continue in business through Washington-based Atlantic & Pacific International Assurance Co. Inc., prosecutors charged. Atlantic & Pacific, since taken over by District of Columbia regulators, was owned by Messrs. Cowan and Teale through holding companies.

Although not mentioned in the criminal information, Mr. Cowan also produced business for several other insurers later identified as being controlled by Mr. Teale, according to documents Mr. Cowan provided in 1991 to the U.S. Senate Permanent Subcommittee on Investigations. These insurers included: Northern Commercial Fire & General Insurance Co. Ltd. and Philadelphia Re Ltd., both of the Turks & Caicos Islands; and Euro Reinsurance Co. Ltd. of Ireland (*BI*, July 29, 1991; July 1, 1991).

Mr. Teale and Ms. Rentz were indicted in January 1993 on charges of masterminding the alleged insurance fraud conspiracy (*BI*, Jan. 25, 1993). They pleaded guilty to fraud charges in Mobile, Ala., last August and later pleaded guilty to racketeering charges brought by federal prosecutors in Philadelphia. Mr. Teale was sentenced to more than 17 years and Ms. Rentz to 13 years (*BI*, Dec. 6, 1993). Both have agreed to cooperate with prosecutors.

Mr. Cowan turned himself in to the U.S. Attorney's Office in Mobile last year when he saw that "things were heating up," said Assistant U.S. Attorney Richard W. Moore.

After he agreed to plead guilty to mail fraud, prosecutors filed the criminal charge under court seal, Mr. Moore said.

Mr. Cowan has been cooperating with prosecutors for several months, including wearing a wire in sting operations, according to sources familiar with the case.

Mr. Moore confirmed Mr. Cowan's cooperation but declined to comment on whether he has participated in sting operations.

Along with the jail term, Judge Vollmer also ordered Mr. Cowan to pay $15 million in restitution.

Mr. Cowan has turned over more than $1 million to the receiver of Atlantic & Pacific and has other assets that he will forfeit, though these are not expected to approach $15 million, lawyers involved in the case say. He owns property in the Los Angeles area was damaged in last week's earthquake, but it is not insured, Mr. Moore said. BI

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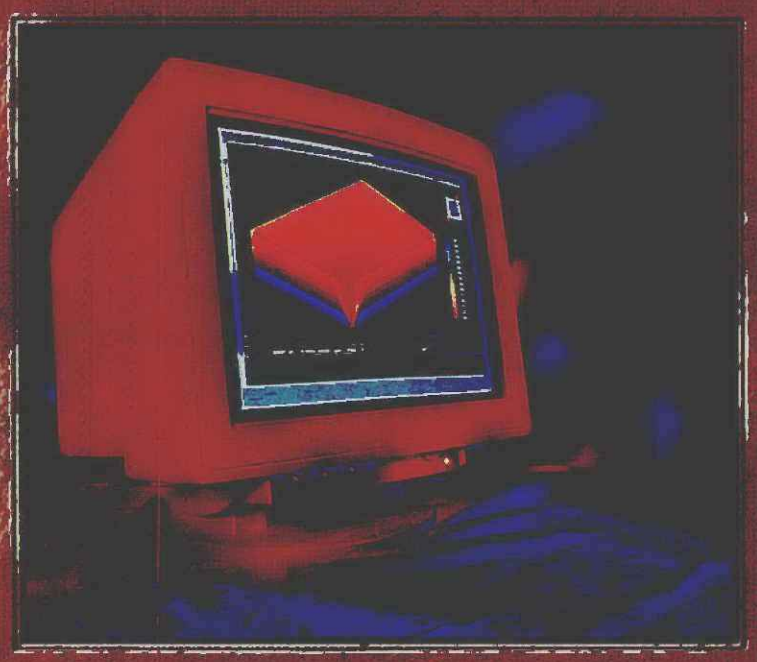


A case in point: for close to two decades our scientists have developed sophisticated computer models that create simulated fires in a given environment.

You can take every precaution. Follow every rule to the letter. Check. And double check. But, as anyone who's ever handled a workers' comp claim will tell you, anything that can happen will. At Intracorp, we've witnessed this more than half a million times. In fact, our data base is comprised of all the information we've gleaned from helping claims professionals manage more than 20 years of workers' comp cases. We've now taken that data and transformed it into a valuable tool. To help flag potential problems. To recognize claims which may benefit from disability management. To recommend alternative treatment methods. To return the employee to a productive life. And, of course, to close claims. To learn more, call us at 1-800-345-1075. Because, though we can't control the *what if*, we most definitely can affect the *what will be*.

INTRACORP THE HEALTH **CARE** MANAGEMENT COMPANY.

Adjusting for health risks

Risk adjustment helps plans reach premium parity

By Alice Rosenblatt

ONE OF THE COMPONENTS of the Clinton administration's proposed health care reforms is a risk adjustment mechanism. According to the Health Security Act, this mechanism is intended to assure that payments to health plans "reflect the expected relative utilization and expenditures for such services" and to protect "health plans that enroll a disproportionate share" of high-risk individuals.

To understand the need for the risk adjustment mechanism, it is necessary to think about the implications of some of the provisions of the act, such as: mandatory insurance for everyone; regional health alliances for unemployed individuals and for employees of employer groups with fewer than 5,000 employees; portability of coverage; community rating within a regional health alliance (rates will vary for family status, not for age, sex or other characteristics); and standard plan designs.

Let's imagine what would happen if these five features of the act were present in a system but that risk adjustment was not part of the system.

For simplicity, let's assume that two health plans, A and B, are offered by the regional alliance and that each offers the standard point-of-service plan design ("lower cost-sharing" plan design).

Let's further assume that Plan A previously used medical underwriting to exclude individuals expected to have high medical claim costs, while Plan B insured everyone.

Assume Plan A's costs are $100 per month for individual coverage and $250 per month for family coverage, using community rating. Plan B, an insurer that has been accepting all applicants for insurance, has community rates of $120 per month for individual coverage and $300 per month for family coverage, under an assumption that the provider cost structures are identical to those of Plan A. In other words, we are assuming Plan B needs to charge 20% more than Plan A due solely to the differences in the risk characteristics of the populations insured by the two carriers.

Now let's assume that Plan B has been able to negotiate fees with in-network providers that are 10% less than the fees Plan A has been able to negotiate, and that 90% of usage is in-network for both insurers.

If we apply the resulting 9% differential to the premiums indicated above, we obtain the following premium rates:

To the consumer purchasing insurance, it looks like Plan B has a higher cost structure than Plan A. However, we know from our assumptions that Plan B actually has the lower cost structure and that the higher rates shown above reflect the combined impact of the lower cost structure with the higher relative risk characteristics.

What we try to accomplish through risk adjustment is the removal of the value of these relative risk differentials from the premiums to be charged.

In the above example, we could require that Plan A pay to Plan B $10 per individual and $25.03 per family to adjust for the risk differential. The premiums we end up with if Plan A adds this payment to its premium and Plan B subtracts this amount from its premium are as follows:

These adjusted monthly premiums better reflect the relative costs of the two insurers and the consumer can now see the premium differential caused by the fact that Plan B pays in-network providers 10% less for services than Plan A.

The above is a very simplistic example to illustrate the concept of risk adjustment. Some of the simplifying assumptions made were: only two insurers were in the market, each with a 50% market share for the illustrated plan; the risk differential of 20% was the same for the population of individuals insured as well as for the population of families insured; and there were only two family status categories.

One of the difficulties we encounter in attempting to design a risk adjustment methodology is that a method does not currently exist for determining the relative risk profiles of two populations that has been designed for this purpose. Current methods in use for assessing relative risks of populations range from simple methods that depend on demographic characteristics such as age and gender to more complex methods that depend on prior medical history.

In the context of health care reform, we need to be careful that the risk assessment methodology does not reward insurers and providers for inefficient practices. For example, if an assessment method uses prior hospitalization data for the measurement, a provider that frequently hospitalizes patients for conditions that other providers treat without hospitalization will appear to have a higher-risk population, when in fact it is only the treatment methodology that differs. Thus, if we want to encourage managed care in the system, we certainly don't want to encourage providers to use inefficient treatment protocols.

It is surprising to me that most large employers do not use some type of risk adjustment method today. The Health Security Act does not require corporate alliances (employers with more than 5,000 employees that provide medical insurance to their workers outside of the regional alliances) to use risk adjustment. I recommend that the corporate alliances perform risk adjustment and, furthermore, I recommend that employers providing multiple choice plans to their employees today perform risk adjustment.

In Massachusetts, for example, most large employers offer their employees a choice of one or two indemnity plans as well as one or more HMO plans. Often, the indemnity plans are funded through some form of self-insurance such as administrative services only, minimum premium or cost plus. Due to the laws of the state, HMOs cannot be retrospectively experience-rated. Often the HMO premiums are community-rated and prospectively rated for experience. Typically, the employer contributes 80% of the premium or "premium equivalent" and the employee must pay the remaining 20%. This situation is typical in other states as well. What does this mean to the employer and the employees from the viewpoint of the impact of risk selection?

- If there is a "random" selection by employees between the various plans, and the employer's risk population matches the community average for the HMO, the premiums for all plans will not be distorted by the risk characteristics of the populations selecting each plan.
- If there is a "bias" for healthy individuals to select the HMO plan design and for the less healthy individuals to select the indemnity plan designs, then adverse risk selection will heavily impact employee and employer costs.

First, since the HMO is community-rated and the indemnity plan is self-insured, the healthy individuals do not help drive down the costs for either the community-rated HMO nor the experience-rated indemnity plan. Second, it is likely that at each open enrollment period, the healthier individuals will leave the indemnity plan in favor of the HMO, causing an ever-worsening price spiral for that plan.

- If there is a "bias" for the less healthy individuals to join the HMO, due to the richer benefits, and for the healthier individuals to join the indemnity plan, then the employer is advantaged in two ways: The community-rated HMO reflects the costs of the broader community, not the higher costs generated by the one employer. The self-insured indemnity plan shows lower costs since the healthier individuals have selected this plan.

It might seem from the above that the most desirable situation is the third. However, intentionally creating such a situation may encourage many employees to remain in the indemnity plan. If we believe that true cost savings—i.e. those that are not caused by risk characteristic differentials—are more likely to be obtained through managed care plans than through indemnity plans, we do not want to encourage employees to remain in the indemnity plan.

Risk adjustment can help us avoid the problems caused by adverse risk selection. It can also help us measure the true savings of managed care, without such measurements being distorted by the risk characteristics of the insured population. I, for one, am delighted that the Health Security Act includes a provision for a risk adjustment method. BI

Alice Rosenblatt is a consultant with Coopers & Lybrand in Boston, effective Feb. 1. She was previously a senior vp and chief actuary at Blue Cross & Blue Shield of Massachusetts.

Commute to work not covered by work comp

An employee who was killed while commuting to work did not suffer injuries within the course of his employment for workers compensation purposes, even though he was receiving a travel allowance for his commute, according to the Supreme Court of Nevada.

Jerry Jourdan was hired by Reynolds Electrical & Engineering Co. Inc. to perform iron work at a test range. In March 1985, Mr. Jourdan was driving from his temporary residence to the test range when he lost control of his truck on snowpacked ice and left the road.

Legal Briefs

Mr. Jourdan was fatally injured. A section of the collective bargaining agreement under which Mr. Jourdan was employed provided for a $2 per day travel allowance for employees who performed work on any day at the test range. Mr. Jourdan's widow sought recovery of workers compensation death benefits arising from the accident. The hearing officer denied benefits and was affirmed by the trial court.

The appellate court concluded that only travel for which an employee receives actual hourly wages was conduct occurring in the course and scope of employment.

An employee who receives compensation only for the expense of travel, the court said, was not acting within the course of employment during that travel. Furthermore, the court said that there was evidence supporting a conclusion that the travel allowance paid to Mr. Jourdan was actually meant to compensate him for on-site travel once he arrived at the test range and not for expenses incurred in commuting to and from the test range. The trial court decision was affirmed.

Jourdan vs. State Indust. Ins. System, Supreme Court of Nevada, May 27, 1993 (*BI*/05/F.-$10). BI

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

Listings of risk management information resources

AUTOMATED SYSTEMS AND SOFTWARE FOR AGENTS AND BROKERS

■ Eagle International Associates offers a booklet describing a **communication network** that can make a company more cost-effective. Request item 101.

■ A demo disk from Specific Software Solutions Corp. details a software program designed to **compute workers comp modification factors**. Request item 102.

■ A flier offered by the American Institute for Chartered Property & Casualty Underwriters/Insurance Institute of America explains a course to help computer users **make knowledgeable choices when using automation to perform insurance tasks**. Request item 103.

■ Agency Services Inc. offers information on The MVR Data Center, a computer system that gives users access to **nationwide motor vehicle records**. Request item 104.

AUTOMATED SYSTEMS AND SOFTWARE FOR INSURERS

■ A brochure supplied by Continental Software Inc. details a software system used for **group product rating, tracking and proposal printing**, as well as rate and text file updating. Request item 201.

■ RDD Corp. offers a pamphlet presenting a program to **integrate multiple managed care lines of business and multiple overlapping provider networks**, payment protocols, benefit plans and contracts. Request item 202.

■ An information packet including features for the implementation of a **medical fee schedule management** system is offered by Progressive Data Solutions. Request item 203.

■ A **data storage** program is discussed in a booklet supplied by XL/Datacomp Inc. Request item 204.

■ NRM Computer Systems Inc. presents an article explaining why a **workers comp system should run in a "Windows" environment and be computer- and data base-independent**. Request item 205.

■ The implementation of a **rehabilitation case management system** is explained in an information packet by Progressive Data Solutions. Request item 206.

■ A brochure from Minolta Corp. describes an automated system that can used for **scanning, indexing, retrieval, printing and faxing**. Request item 207.

■ An information packet by Resource Information Management Systems Inc. highlights systems to improve **employee benefits and workers comp managed care processing, productivity and profitability**. Request item 208.

■ Progressive Data Solutions provides a booklet listing features of a **property and casualty management system**. Request item 209.

■ The Wheatley Group Ltd. supplies a brochure detailing a system used for **policy management, premium accounting, claims management** and other features. Request item 210.

■ Features for a **workers comp management system**, including policy and claims administration, is detailed in an information packet from Progressive Data Solutions. Request item 211.

■ The implementation of a workers comp **managed care software application** is detailed in an information packet from Progressive Data Solutions. Request item 213.

■ Progressive Data Solutions supplies a demo disk outlining features of a **workers comp management** software application. Request item 215.

■ A quarterly newsletter from GMIS Inc. contains information on products, services and **how-to columns for software users**. Request item 216.

■ A demo disk from Progressive Data Solutions lists features of a **fee schedule management system**. Request item 217.

■ An information packet offered by Resource Information Management Systems Inc. presents components of **managed care strategies and automation** for administration. Request item 218.

■ An outline of a **managed care software application** is presented on a demo computer disk from Progressive Data Solutions. Request item 219.

CAPTIVES

■ Russell & Associates provides a booklet detailing the **advantages and requirements for purchasing groups**. Request item 301.

■ A report from the Risk Retention Reporter offers a **breakdown of risk retention groups formed under the 1986 Risk Retention Act** by business area. Request item 302.

■ A booklet supplied by the Illinois Captive Insurance Assn. provides information on **Illinois' captive statute as currently amended**. Request item 303.

■ A list of **risk retention groups formed under the 1986 Risk Retention Act** by state of domicile is presented by the Risk Retention Reporter. Request item 304.

■ ICALM Group supplies a paper outlining a **company response plan to catastrophe, claims and litigation** presented at the 31st annual Risk & Insurance Management Society conference. Request item 305.

■ A survey of **premiums generated by risk retention groups**, analyzed by business area, is offered by the Risk Retention Reporter. Request item 306.

■ An **information guide on the Cayman Islands, costs of doing business, contacts and insurance law** are provided in an informational packet from Financial Services Supervision Department of the Cayman Islands. Request item 307.

■ The Risk Retention Reporter presents a survey on **risk retention group regulations** on a state-by-state basis. Request item 308.

■ Services available to an organization considering **a captive insurance company** are outlined in an information sheet from ECS Underwriting Inc. Request item 309.

■ A booklet on the necessary procedures to **start a captive insurance program** from conception to operation, including costs and timetable, is supplied by Northern States Management Inc. Request item 310.

■ A report from the Risk Retention Reporter overviews the **1986 Risk Retention Act**, discussing risk retention groups and related issues. Request item 311.

■ Commonwealth Risk Management Inc. offers information on **establishing a captive in Vermont**. Request item 312.

COMMERCIAL PROPERTY/ CASUALTY INSURANCE

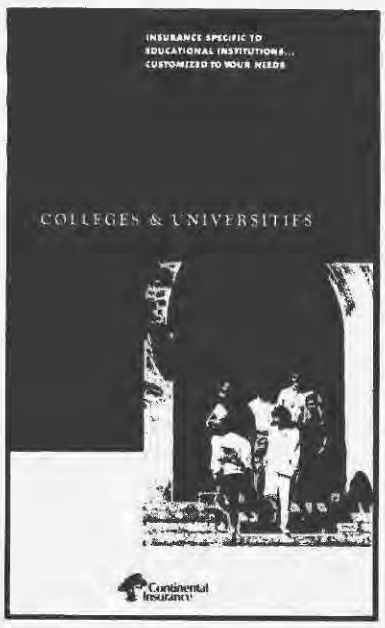
■ An information kit from NAS Insurance Services Inc. discusses **coverages, underwriting, a specimen policy, minimum premium chart and application**. Request item 401.

■ Baldwin Sadler Corp. provides an information packet detailing **transportation product lines** and application. Request item 402.

■ States Self-Insurers Risk Retention Group Inc. offers informational material pertaining to **risk retention groups structured to provide excess liability coverages** on a broad form basis. Request item 403.

■ A paper from Eagle International Associates discusses **product liability in the pharmaceutical industry**, current U.S. legislation, German pharmaceutical pools and other topics. Request item 404.

■ A description of different **types of weather insurance and promotional ideas** is published in an information packet from Customized Worldwide Weather Insurance Agency Inc. Request item 405.



■ Continental Insurance offers a brochure detailing **insurance programs for colleges and universities**. Request item 406.

■ A brochure describing Liberty Mutual's **integrated general liability program** details coverage considerations, cost control measures and financial security. Request item 407.

■ A pamphlet providing information on a two-volume reference addressing **commercial auto, truckers and garage liability** is offered by the International Risk Management Institute Inc. Request item 408.

■ An explanation of **coverages needed by lessors involved in long-term leasing** of automobiles and trucks is provided by Reliance Insurance Co. Request item 409.

■ The American Institute for Chartered Property Casualty Underwriters/Insurance Institute of America provides a booklet describing all **property and casualty insurance courses and programs** offered. Request item 410.

■ A pamphlet supplied by Continental Insurance explains a **property and casualty insurance program for hospitals**. Request item 411.

■ Liberty Mutual presents a booklet on **risk management coverages, services, options and research**. Request item 412.

■ A guide to the **lines of coverage available through the Illinois Insurance Exchange** is offered by the exchange. Request item 413.

■ A breakdown of more than **400 purchasing groups formed under the 1986 Risk Retention Act** by business area is provided by the Risk Retention Reporter. Request item 414.

■ A brochure from Liberty Mutual Insurance Co. details a three-part **property risk management program**. Request item 415.

■ A Global Entertainment Assurance Ltd. booklet details **insurance coverages for feature film production companies**. Request item 416.

■ An outline of insurance coverages describes available **environmental insurance products and services** from ECS Underwriting Inc. Request item 417.

■ Swett & Crawford Group provides a pamphlet highlighting the **threat of D&O exposure to Fortune 1000 companies**. Request item 418.

■ A flier offered by Rosemurgy & Co. describes claims services for **aviation losses**. Request item 419.

■ Minet Inc. presents practical advice on **protecting the personal assets** of your firm or business. Request item 420.

■ **Problems and answers for retailers and their industry** are examined in a brochure from Liberty Mutual. Request item 421.

■ An article offered by the Richard Levy law firm discusses **10 ways to avoid the new pollution exclusions in general liability policies**. Request item 422.

■ A description of a **property and casualty insurance program for plastics manufacturers** is supplied by Continental Insurance. Request item 423.

■ ECS Underwriting Inc. provides a booklet detailing a variety of **property and inland marine insurance coverages**. Request item 424.

■ **Steps to slow the growth of medical costs** in workers comp, property and casualty insurance lines is explored in an article reprint from Liberty Mutual. Request item 425.

■ The Risk Retention Reporter overviews the **formation and operation of purchasing groups** under the 1986 Risk Retention Act in a two page leaflet. Request item 426.

■ A brochure outlining **employment practices liability insurance** is supplied by Swett & Crawford Group. Request item 427.

■ Continental Insurance provides a brochure detailing an **insurance program for the biotechnology industry**. Request item 428.

■ A pamphlet from Liberty Mutual offers ways to **manage insurance costs**. Request item 429.

■ The Risk Retention Reporter presents a state-by-state survey of **pur-**

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Business Insurance Information Resource

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

Please check one item for each category:

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2. **Number of employees:**
   1 ☐ 150 or less 2 ☐ 151-499 3 ☐ 500-999 4 ☐ 1,000-4,999 5 ☐ 5,000 or more 6 ☐ Unkown
3. **My title is best defined as:**
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Continued from previous page

chasing group regulations. Request item 430.

■ An information packet by ECS Underwriting Inc. lists tools for **contractors in managing environmental exposures**. Request item 431.

■ A Continental Insurance brochure details a property and casualty **insurance program for fruit and vegetable processors**. Request item 432.

■ Liberty Mutual offers a booklet detailing a **fleet protection program**. Request item 433.

■ Gregory B. Bragg & Associates Inc. provides newsletters containing **articles to help risk managers, TPAs and self-insured claims departments** as well as information on claims issues. Request item 434.

■ An information sheet supplied by ECS Underwriting Inc. describes casualty insurance available for **transportation of hazardous waste and materials**. Request item 435.

■ Shand Morahan & Co. Inc. offers a **bi-monthly newsletter** that reviews market conditions, new products and marketing techniques. Request item 436.

FIDELITY AND SURETY

■ A flier from the American Institute for Chartered Property & Casualty Underwriters/Insurance Institute of America details a five-course program in **fidelity and surety bonding** leading to the Associate in Fidelity and Surety Bonding designation. Request item 701.

■ Amwest Surety Insurance Co. provides a booklet discussing **problems faced by small, emerging and minority contractors** in obtaining bonds. Request item 702.

■ The availability of **environmental bid and performance bonds** is described in an information sheet from ECS Underwriting Inc. Request item 703.

■ A brochure by Amwest Surety Insurance Co. answers **questions about collateral requirements and procedures** when applying for surety bonds. Request item 704.

FINANCIAL SERVICES

■ An article supplied by Comerica Bank explains the **role of captives in corporate global risk and financial management strategies** and services provided by banks to support them. Request item 802.

■ The Equitable/Rotter Agency offers a brochure for business owners on **estate planning** to prevent liquidation resulting from Internal Revenue Service estate bills. Request item 803.

■ An American Institute for Chartered Property Casualty Underwriters/Insurance Institute of America flier details a four-course program leading to the Associate in **Insurance Accounting and Finance** designation. Request item 804.

■ Standard & Poor's Corp. offers a copy of FOCUS, a monthly publication featuring commentary on trends as well as the **claims-paying ability ratings** on more than 900 companies. Request item 806.

INTERNATIONAL

■ A directory of **adjusters, attorneys and claims-related services** listed by state is available in an information booklet from Eagle International Associates. Request item 901.

■ ECS Underwriting Inc. provides a brochure describing the **environmental insurance coverage available to the European Union**. Request item 902.

■ A fold-out pamphlet from Graham Miller International explains **adjusting line specialty services** and also provides a worldwide directory of Graham Miller offices. Request item 903.

■ An article provided by Clausen Miller & Dutaret analyzes **insurance coverage issues in Europe relative to environmental claims** and an overview of the European legislation for the insurance coverage of such claims. The article is available in English and French versions. Request item 904.

LOSS CONTROL/PEOPLE

■ Heppner Risk Management offers a 14-page booklet for **prevention of back injury** and safe lifting. Request item 1001.

■ An informational magazine from Safety Short Production Inc. explains how safety videos can provide **substantial results in reducing accidents**. Request item 1002.

■ A catalog details 25 different **courses in risk management, safety services, industrial hygiene, ergonomics and environmental services** available from Kemper Risk Management Services. Request item 1003.

■ A study from the St. Paul Fire & Marine Insurance Co. illustrates **how stress factors relate to an employee's health, performance and potential burnout**. Request item 1004.

■ **Key factors in workplace accidents and injuries** are summarized in a research article from The Reliability Group. Request item 1005.

■ A booklet offered by Kemper Risk Management Services provides information on **investigating indoor air quality problems**. Common air contaminants and recommended sampling methods are listed. Request item 1006.

■ Clayton Environmental Consultants supplies an article describing ways to **protect employees from blood-borne pathogens** and compliance with new OSHA standards governing this exposure. Request item 1007.

■ An information sheet offered by CompScope describes how a **behavioral science-based safety program** can achieve lower injury rates. Request item 1008.

■ A research article from Topical Testing Inc. finds that touch threshold, as measured with a vibrotactile tester, is an **indicator of recovery following carpal tunnel surgery**. Request item 1009.

■ Kemper Risk Management Services supplies information on **services for the areas of safety, industrial hygiene, lab analysis, ergonomics, environmental services and training**. Request item 1010.

■ A bimonthly newsletter from Crawford & Co. examines **risk control issues**. Request item 1011.

■ An information sheet from Chat-

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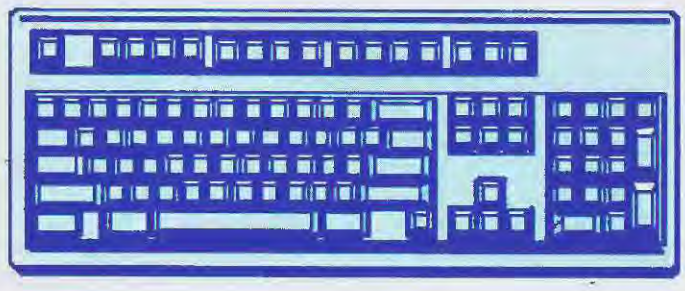

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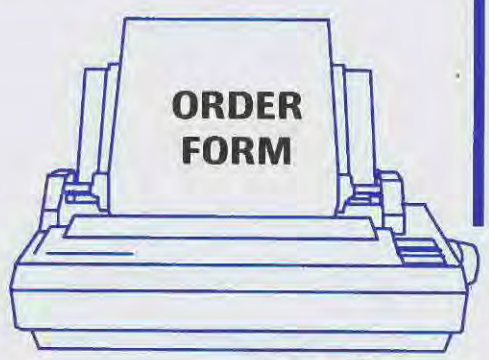

Business Insurance®

Continued from previous page
tanooga Group Inc. describes the Lumbar Motion Monitor, used to **reduce lower back injuries** by analyzing trunk motion at the worksite. Request item 1012.

■ DNA Books supplies an eight-page brochure explaining **what sexual harassment is, how to respond to it and how to participate in an investigation**. Request item 1013.

■ **Recent rulings by the National Labor Relations Board** and how they impact the way employers establish and maintain safety committees are explored in a newsletter from Kemper National Insurance Cos. Request item 1014.

■ A pamphlet from Gallagher Bassett Services Inc. describes **ergonomics problems**, where problems can arise in the workplace and possible solutions. Request item 1015.

■ An article from Clayton Environmental Consultants discusses issues and management of **lead-based paint removal from steel structures**. Request item 1016.

■ An information sheet detailing a **back support system** to reduce the risk of lower back injuries is offered by Chattanooga Group Inc. Request item 1018.

■ A newsletter offered by Kemper National Insurance Cos. discusses OSHA's new **confined space entry standard**. Request item 1019.

■ A brochure from Crawford & Co.'s FPE group identifies and addresses the underlying **causes of workers compensation problems**. Request item 1020.

LOSS CONTROL/PROPERTY

■ This booklet from XL/Datacomp Inc. helps midrange IBM users develop **disaster recovery plans**. Request item 1101.

■ Industrial Risk Insurers offers a magazine on **new IRI guidelines for protecting flammable liquids**. Request item 1102.

■ A catalog supplied by Factory Mutual Engineering & Research features **seminars, booklets, videotapes and learning kits for protecting facilities from peril**. Request item 1103.

■ Articles on **earthquakes, fire risks after an earthquake and risk reduction programs** are the topics of a newsletter from EQE International. Request item 1104.

■ A magazine presented by Industrial Risk Insurers addresses the need for loss prevention management and a program to **address every loss prevention issue**. Request item 1105.

■ A flier from the American Institute for Chartered Property Casualty Underwriters/Insurance Institute of America describes a five-course program in **loss control management**. Request item 1106.

■ HSB Professional Loss Control offers a newsletter containing information on **fire protection and other loss control** issues. Request item 1107.

■ **Maintenance of rotating equipment** such as gearsets and motors is discussed in a magazine from Industrial Risk Insurers. Request item 1108.

■ An article supplied by Clausen Miller Gorman Caffrey & Witous P.C. discusses the **trade secret law in Illinois** and proprietary information protection. Request item 1109.

■ Industrial Risk Insurers provides a magazine focusing on **steps to take to protect combustible construction**. Request item 1110.

■ A newsletter available from Kemper National Insurance Cos. looks at the 13-year **history of Superfund** and what the program has and has not accomplished. Request item 1111.

■ Advice on **meeting water supply needs** is given in a magazine offered by Industrial Risk Insurers. Request item 1112.

MARINE

■ The American Institute for Chartered Property Casualty Underwriters/Insurance Institute of America provides a flier detailing a **marine insurance management** program. Request item 1201.

■ An information sheet from Rosemurgy & Co. describes claims services for **handling marine losses**. Request item 1202.

REINSURANCE

■ An article on **recent developments in the U.S. reinsurance industry** is available from Insurance Agency Programs Inc. Request item 1301.

■ Mound, Cotton & Wollan produces a quarterly newsletter that discusses recent cases **representative of legal trends in insurance and reinsurance**. Request item 1302.

■ An article from Trinity Square Services Inc. **compares liquidation for troubled reinsurance and insurance companies between the United Kingdom and United States**. Request item 1303.

■ A brochure supplied by The Brokers & Reinsurance Markets Assn. details an **electronic bulletin board system** that offers access to the BRMA Contract Wording Reference Book. Request item 1304.

■ An information sheet on a four-course **reinsurance designation program** is available from the American Institute for Chartered Property Casualty Underwriters/Insurance Institute of America. Request item 1305.

■ William R. Storie & Co. Ltd. presents an article on **"The Art of Commutation."** Request item 1306.

■ **Procedures for collecting reinsurance recoverables on an international basis** are reviewed in an article from Trinity Square Services Inc. Request item 1307.

RISK MANAGEMENT

■ A newsletter provided by Baker & McKenzie reviews **current developments in the field of employment law**. Request item 1401.

■ The Traverse Group Inc. supplies an article on risk management steps a company can take to **achieve and maintain environmental "wellness."** Request item 1402.

■ ARM Tech supplies a guide to creating a **request for proposal for an audit of self-insured liability claims**. Request item 1403.

■ A booklet offered by Coopers & Lybrand-Human Resource Advisory Group reviews facts to consider when planning for a **self-insurance program**. Request item 1404.

■ Eagle International Associates offers summaries of speeches delivered on the topics of **risk-based capital standards and product liability reform legislation.** Request item 1405.

■ Ten steps to successful and cost-effective **litigation management** are offered in an information sheet from ICALM Group. Request item 1406.

■ A guide to **creating a request for proposal pertaining to an actuarial study** is available from ARM Tech. Request item 1407.

■ An article from Clayton Environmental Consultants explains the **EPA's pollution prevention strategy** of making source reduction goals part of new regulations and enforcement actions. Request item 1408.

■ A 20-page booklet from Martin-Dennison shows **how to handle absenteeism** and factors that may affect it. Request item 1409.

■ The ICALM Group offers a guide to **contingency planning,** high lighting claims, litigation and preparedness efforts. Request item 1410.

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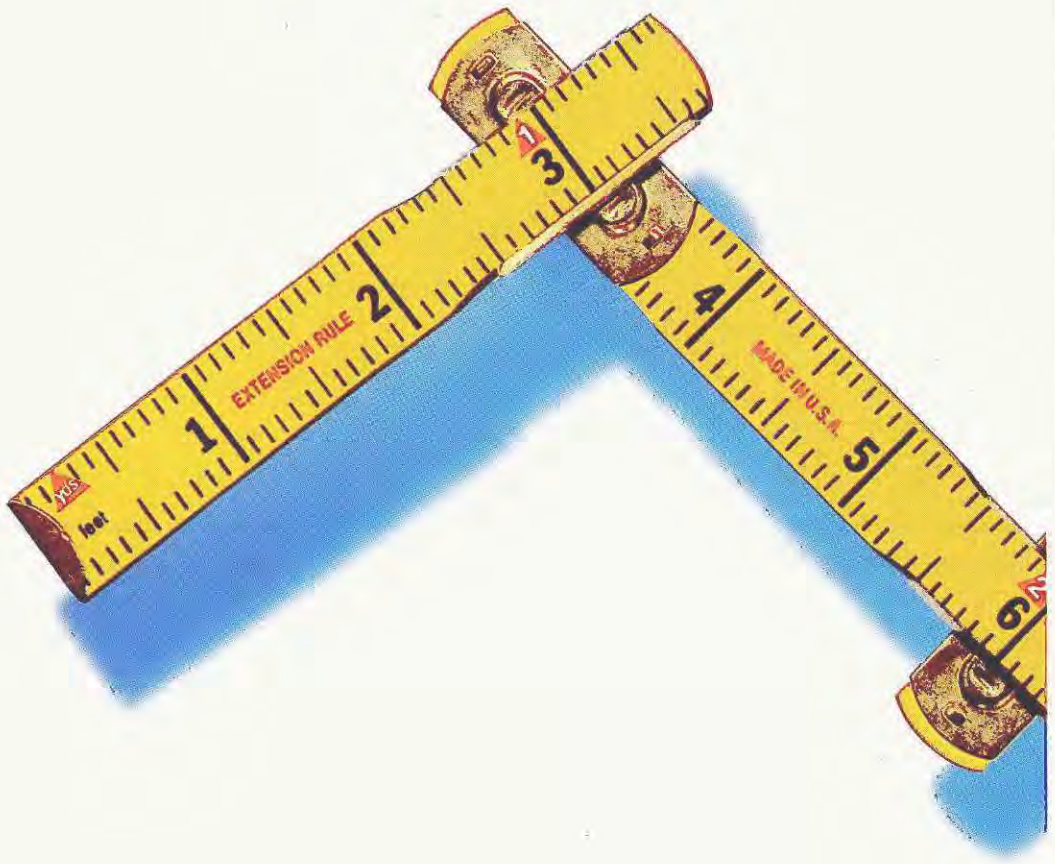

At General Rehabilitation Services, our case management experts have gone to great lengths through the years.

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■ ARM Tech offers an outline on how to create a request for proposal for an **audit of self-insured workers comp claims**. Request item 1412.

■ A pamphlet describing a reference book for **commercial property/casualty funding plan variations** is provided by International Risk Management Institute Inc. Request item 1413.

■ Stone & Webster Management Consultants Inc. offers an article exploring the **pros and cons of traditional contractor-supplied insurance, self-insurance and wrap-ups**. Request item 1414.

■ ICALM Group supplies a list of 10 cost-effective **communication tips to reduce legal costs**. Request item 1416.

■ The American Institute of Chartered Property Casualty Underwriters/Insurance Institute of America present an information sheet detailing the **Associate in Risk Management designation program**. Request item 1417.

■ A **reference manual on claims-handling matters** is provided by Clausen Miller Gorman Caffrey & Witous P.C. Request item 1418.

■ A newsletter from Clayton Environmental Consultants features articles related to **managing environmental and occupational health risks**. Request item 1419.

■ An information sheet from ICALM Group offers a checklist of **when to conduct a legal audit**. Request item 1420.

■ Construction Industry Services Corp. offers a brochure on **looking for solutions to possible risk exposures in construction projects**. Request item 1421.

■ Johnson & Higgins provides a survey conducted by the Wharton School of Business that finds support for the Treasury Department's proposal to **revamp Superfund's liability system**. Request item 1422.

■ An information sheet from ECS Underwriting Inc. details **features of an environmental finite risk insurance program**. Request item 1423.

■ ICALM Group presents a handbook for **containing financial exposures** through practical management of liability problems and transactional costs. Request item 1424.

■ **Risk analysis**, risk management information systems and other related issues are discussed in a quarterly newsletter from Anistics Ltd. Request item 1425.

■ An article detailing insurance and risk management **issues associated with leases and contracts** is supplied by Kevin F. Donoghue & Associates. Request item 1426.

■ A pamphlet describing how to **protect accounts receivable from unexpected losses** is available from American Credit Indemnity. Request item 1428.

■ Structured Financial Associates Inc. offers claims professionals a manual designed to assist in the **early settlement of claims**, including personal injury, workers comp, wrongful death and other cases. Request item 1429.

■ **Risk management commentary and analysis** from industry experts is available in The Risk Management Letter, a bimonthly newsletter from Warren, McVeigh & Griffin Inc. Request item 1430.

■ ICALM Group provides a professional training manual for **catastrophe response, claims resolution and litigation management**. Request item 1431.

■ The components of an **effective disaster/contingency plan** are detailed in an article from Kevin F. Donoghue & Associates. Request item 1432.

■ A flier from Financial Settlement Services provides an outline of the **basics of structured settlement usage**. Request item 1433.

■ An article from ICALM Group describes how to enhance your **relationships with defense counsel**. Request item 1434.

■ A quarterly newsletter from Crawford & Co. provides **risk management news and issue analysis**. Request item 1435.

■ The PMA Group offers a quarterly publication providing risk control strategies for **workers comp and property conservation**. Request item 1436.

■ Bishop, Barry, Howe, Haney & Ryder provides a guide to real estate brokers' and salespersons' **liability for errors and omissions**. Request item 1437.

■ The standardized **billing and reporting procedures** of the ICALM Group are detailed in an article. Request item 1438.

■ Kevin F. Donoghue & Associates provides an article describing how to measure the actual **value of insurance program components**. Request item 1439.

■ A summary of **federal employment practices law**, litigation, ADA implications and risk management solutions is provided by Minet Inc. Request item 1440.

Continued on next page

Business Insurance **Information Resource**

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

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1. My organization is best described as:
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2. Number of employees:
   1 ☐ 150 or less 2 ☐ 151-499 3 ☐ 500-999 4 ☐ 1,000-4,999 5 ☐ 5,000 or more 6 ☐ 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
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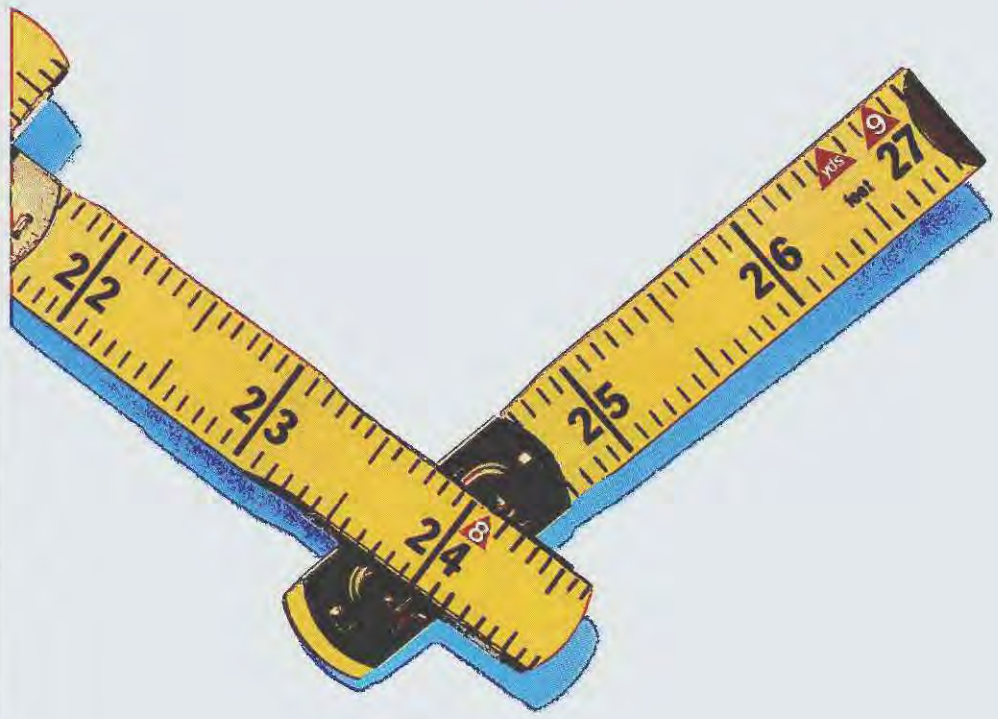

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Please check one item for each category:

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   - B ☐ Association
   - C ☐ Union
   - D ☐ Government
   - E ☐ Educational Inst
   - F ☐ Ins Agent
   - G ☐ Ins Broker
   - H ☐ Ins/Reins Co
   - I ☐ Actry/Consit
   - J ☐ Attorney
   - K ☐ Adj/Apprs
   - L ☐ TPA
   - M ☐ Healthcare Inst
   - N ☐ Other
2. Number of employees:
   - 1 ☐ 150 or less
   - 2 ☐ 151-499
   - 3 ☐ 500-999
   - 4 ☐ 1,000-4,999
   - 5 ☐ 5,000 or more
   - 6 ☐ Unkown
3. My title is best defined as:
   - A ☐ Administrative Mgt
   - B ☐ Financial Mgt
   - C ☐ Risk Mgt
   - D ☐ Benefits Mgt
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■ An outline of **services available to risk managers** is provided in a booklet from Gallagher Bassett Services Inc. Request item 1441.

■ The Warren Report, a **monthly risk management commentary and analysis** of current issues, legal changes and basic risk management practices is available from David Warren. Request item 1442.

■ William M. Mercer Inc. offers an updated booklet explaining how employers can **comply with the Americans with Disabilities Act**, including recent EEOC guidelines. Request item 1443.

■ A list of criteria for **making legal bills more understandable** is available from the ICALM Group. Request item 1444.

■ Risk management steps a utility should consider when dealing with **electromagnetic field exposure** are detailed in an article from Stone & Webster Management Consultants Inc. Request item 1445.

■ The **role of health risk assessments** in making informed and cost-effective environmental decisions is explored in an article from Clayton Environmental Consultants. Request item 1446.

■ Johnson & Higgins provides a **financial study of the insurance market** in this review and forecast of the property/casualty industry. Request item 1447.

■ An overview of the basic **principles of a sound risk management program** is provided in an article from Kevin F. Donoghue & Associates. Request item 1448.

■ Crawford & Co. provides a full color quarterly publication containing articles on **today's risk management issues**. Request item 1449.

■ A booklet from Gallagher Bassett Services Inc. describes a **comprehensive risk evaluation process**, including risks, possible losses and available solutions. Request item 1450.

■ An evaluation of **litigation management procedures** presented in a speech by the president of the ICALM Group is available in print. Request item 1451.

■ An article describing the technical and regulatory aspects of health, safety and **environmental concerns in facilities management** is available from Clayton Environmental Consultants. Request item 1452.

■ A reprint offered by Johnson & Higgins provides risk managers for midsize companies with **criteria for evaluating insurance brokers**. Request item 1453.

■ Kevin F. Donoghue & Associates provides an outline of risk management practices that can help **minimize a company's exposure to sexual harassment claims**. Request item 1454.

■ A booklet from Gallagher Bassett Services Inc. describes services available to that can help insurance brokers better **provide risk management services to clients.** Request item 1455.

■ An outline of steps every organization should take to **prepare for the "hard" insurance market** is available from Kevin F. Donoghue & Associates. Request item 1456.

RISK MANAGEMENT INFORMATION SYSTEMS

■ A manual provided by Kemper Risk Management Services presents Kemper's CARES program for **online loss information system**. Request item 1501.

■ A two-page flier from Risk Sciences Group details how benchmarking and RMIS services combined can **improve risk management methods** and help develop new ones. Request item 1502.

■ Corporate Systems Ltd. offers a magazine containing **reports on the industry**, new product developments and case studies. Request item 1503.

■ Paradigm Infosystems provides a brochure describing how graphical user interface technology can **improve the process of recording and analyzing claims data**. Request item 1504.

■ How telephonic reporting combined with computerization of initial claims reporting can **save employers time and money** is discussed in a flier from Risk Sciences Group. Request item 1505.

■ An overview of a **risk management software system** is offered by Corporate Systems Ltd. Request item 1506.

■ A booklet by DORN Technology Group Inc. highlights functions of a system encompassing **claims, workers comp, medical fee schedule,** policy management and vehicle accidents. Request item 1507.

■ Risk Sciences Group supplies a brochure detailing **risk management information systems and consulting services**. Request item 1508.

■ Kemper Risk Management Services provides a manual describing the **financial loss information for deductible or self-insured programs**. Request item 1509.

■ A paper supplied by Risk Sciences Group explains the **functional role of the risk management information system** and answers frequently asked questions about RMIS. Request item 1510.

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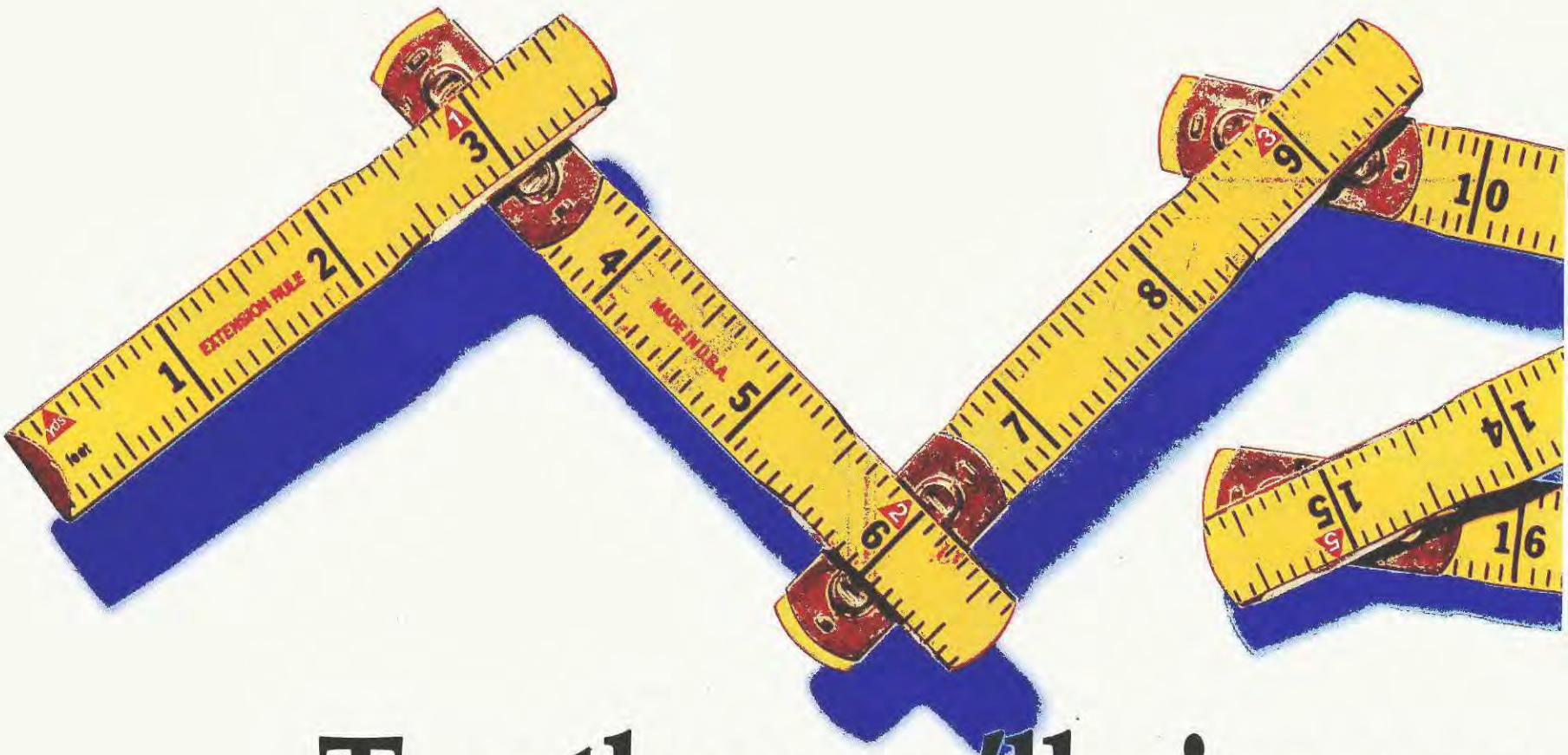

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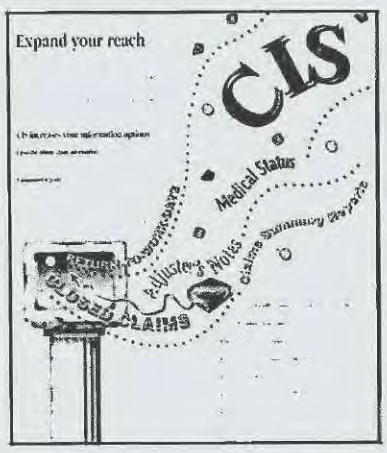
Continued from previous page

■ An overview provided by Corporate Systems Ltd. discusses **risk cost management technologies**. Request item 1511.

■ Kemper Risk Management Services' integrated system combines both **risk management and claims management** capabilities. To receive a brochure highlighting this system's features, request item 1512.



■ A guide to the fundamentals of business **recovery planning** is available from Recovery Management Inc. Request item 1513.

■ A pamphlet from Kemper Risk Management Services overviews Kemper's **claims management system that can be combined with electronic mail**. Request item 1514.

■ Seligman Information Systems offers **a dictionary of computer terms** to help risk managers better understand the computers used in their departments. Request item 1515.

■ An easy to use **form to record the technical specifications of personal computers** in a department is available from Seligman Information Systems. Data collected includes modem speed and its location in the computer, monitor manufacturer, tape drives and all equipment serial numbers. Request item 1516.

SELF-INSURANCE SERVICES

■ A 1993 **directory of companies that provide self-insurance** is supplied by the Self-Insurance Institute of America Inc. Request item 1603.

■ WLT Software of Florida Inc. offers an information packet detailing programs on **claims and billing administration**, including medical, dental, vision, drugs, disability and more. Request item 1605.

■ Services in the areas of **self-insurance and risk management** are reviewed in an information packet supplied by Johns Eastern Co. Inc. Request item 1606.

■ Corbel & Co. presents a **survey of third-party administrators**, focusing on national health reform and trends in benefit claims administration. Request item 1607.

■ An information packet from WLT Software of Florida Inc. details a program for a **claims editing system that verifies provider billings** prior to processing, checks for incidental/elective cosmetic procedures and more. Request item 1611.

■ A brochure supplied by Helmsman Management Services Inc./Liberty Mutual details a coordinated program of **claims, managed care, loss control and risk management information services**, as well as individual service contracts. Request item 1612.

■ Crawford & Co. provides a **directory of claims, health and rehabilitation and risk survey offices** around the world. Request item 1613.

■ An article from Self-Insurance Marketing Service outlines issues faced when **marketing products and services to self-insured buyers**. Request item 1616.

■ Helmsman Management Services Inc. answers eight questions asked by self-insured employers on **how to choose a third-party administrator for workers comp services**. Request item 1618.

■ A flier provided by Self-Insurance Exchange details a **free vendor locator service** for self-insurance programs. Request item 1619.

■ A leaflet from the Self-Insurance Exchange outlines **marketing tools available to vendors** trying to reach the self-insurance marketplace. Request item 1622.

WORKERS COMPENSATION

■ A newsletter from GAB Business Services Inc. provides general **facts about lyme disease**. Request item 1701.

■ The Hill Wallack law firm offers an information package on **managed legal services in workers comp** to assist employers in containing costs. Request item 1702.

■ A booklet from Isotechnologies Inc. details the medical requirements and appropriate **responses to The Americans with Disabilities Act of 1990**. Request item 1703.

■ A survey by Towers Perrin examines the **use and effectiveness of various workers comp cost control initiatives**. Request item 1704.

■ The impact of the **1990 Texas Workers Comp Law** is explored in a paper on the reforms from Crawford

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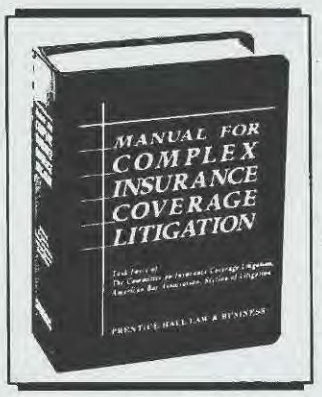

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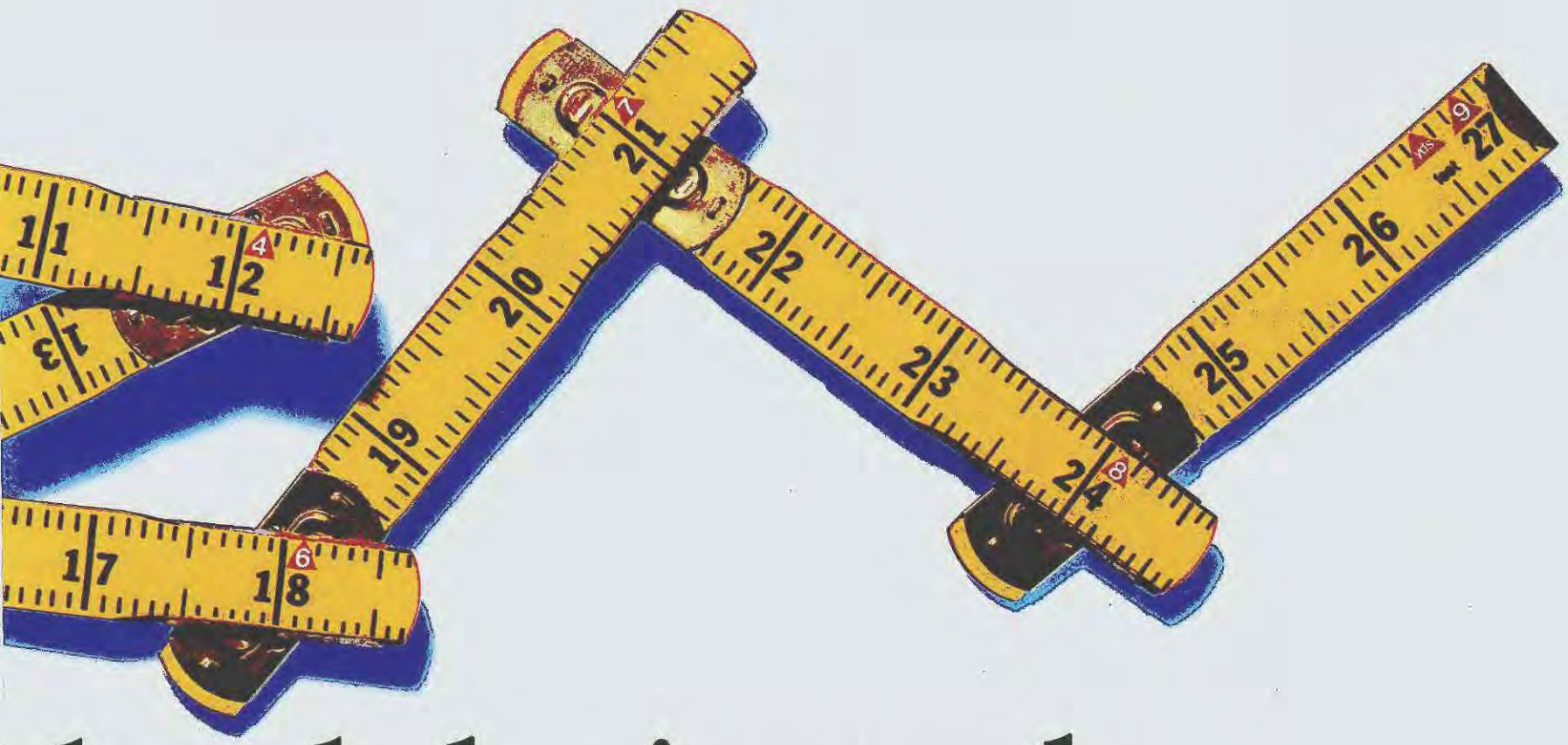

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Continued from previous page
& Co. Request item 1705.

■ A Rehability Corp. information package details its **return to work program** for workers suffering musculoskeletal injuries, which combines rehabilitation services, treatment protocols and management of the entire process to help reduce workers comp costs. Request item 1706.

■ An article provided by The Wheatley Group Ltd. describes how a workers comp insurer achieved **cost control through technology**. Request item 1707.

■ GAB Business Services Inc. supplies information on **stress in the workplace** and discusses stress cases on a state-by-state basis to provide insight into the current approach in each jurisdiction. Request item 1708.

■ A pamphlet from International Risk Management Institute Inc. offers describes a reference book that helps **save on workers comp costs for large construction projects**. Request item 1709.

■ A description of how the Clinton health care reform plan may cause **changes in dealing with workers comp issues** is in a leaflet from CODA Inc. Request item 1710.

■ A booklet offered by Crawford & Co. analyzes the multitude of **criteria that determine success or failure of return-to-work programs**. Request item 1711.

■ Kevin F. Donoghue & Associates supplies an article on how **basic risk management principals can help minimize workers comp costs**. Request item 1712.

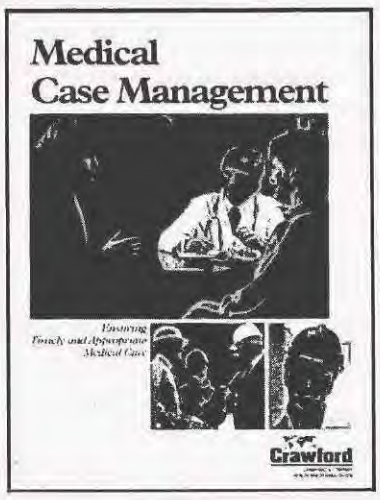
■ Tips to **combat workers comp fraud** are listed in a brochure provided by The Aegis Group. Request item 1713.

■ A newsletter offered by GAB Business Services Inc. discusses the **assessment of an injured employee's potential to return to work**. Request item 1714.

■ An article supplied by FOCUS Healthcare Management Inc. explores a **cost containment program** within the workers comp framework. Request item 1716.

■ Liberty Mutual provides a booklet detailing a six-step program to **control workers comp costs**. Request item 1717.

■ A three-point **medical case management model** is explained in a brochure from Crawford & Co. Request item 1718.



■ HJH Consulting Inc. offers a booklet on **practical solutions to reduce workers comp costs**. Request item 1719.

■ A list of **factors that drive up workers comp medical costs** and steps to curtail them are given in a report from Mid-America Coalition on Health Care. Request item 1720.

■ A newsletter from Kemper National Insurance Cos. explores the issue of **how the Clinton administration's health care plan could affect the workers comp system**. Request item 1721.

■ Crawford & Co. offers a paper detailing the **differences between workers comp service providers**. Request item 1722.

■ Gallagher Bassett Services Inc. supplies a newsletter offering **trends and new cost containment programs** in workers comp. Request item 1723.

■ An information packet from Liberty Mutual/Cascade Rehabilitation Counseling Inc. details several aspects of vocational rehabilitation: **job analysis, job descriptions, accommodations and modification of work sites**. Request item 1724.

■ PMSI's 1993 annual report offers information on the effective use of **managed care in workers comp**. Request item 1725.

■ Crawford & Co. explains its **process for early reporting and assignment of workers comp** claims. Request item 1726.

■ GAB Business Services Inc. supplies an overview of workers comp statutes and cases pertaining to **workers comp no fault and exclusive remedy issues**. Request item 1727.

■ A brochure presented by Crawford & Co. describes how to **control workers comp medical and indemnity costs**. Request item 1728.

■ Towers Perrin provides a pamphlet with **workers comp solutions for public entities** in order to lower costs, reduce incidents and improve care. Request item 1729.

■ A paper from HJH Consulting Inc. explores **how reform will affect workers comp**. Request item 1730.

■ A newsletter from Kemper National Insurance Cos. examines the trend of **states enacting meaningful workers comp reform**. Request item 1731.

■ Liberty Mutual supplies a brochure listing **warning signs that may indicate workers comp fraud**. Request item 1732.

■ A booklet from GAB Business Services Inc. provides the **definitions of workers comp injury under the laws of the 50 states**. Request item 1733.

■ A Crawford & Co. paper discusses **benchmarking strategies** and effects that comparative analysis can have on workers comp. Request item 1734.

■ An article provided by Sunderbruch/ENCOMPASS analyzes **workers comp costs and how to reduce them**. Request item 1735.

■ MEDICODE Inc. supplies a brochure detailing a **medical bill advisory software system** for workers compensation. Request item 1736.

■ **Solutions to cost containment problems** affecting casualty, workers comp and group health are reviewed in a newsletter from Crawford & Co. Request item 1737.

■ A booklet of **sample worker compensation reports** from Crawford & Co. demonstrates how savings and return on investments are itemized. Request item 1738.

■ WLT Software of Florida Inc. supplies an information booklet on a **workers comp claims administration system**, including reinsurance tracking, accounting and more. Request item 1739.

■ The purpose of workers comp experience rating and an outline on how to compute **workers comp modification factors** are offered by Specific Software Solutions Corp. Request item 1740.

■ InPhoto Surveillance offers a **practical guide to surveillance** for claims handlers who use or are considering that tool. Request item 1741. BI

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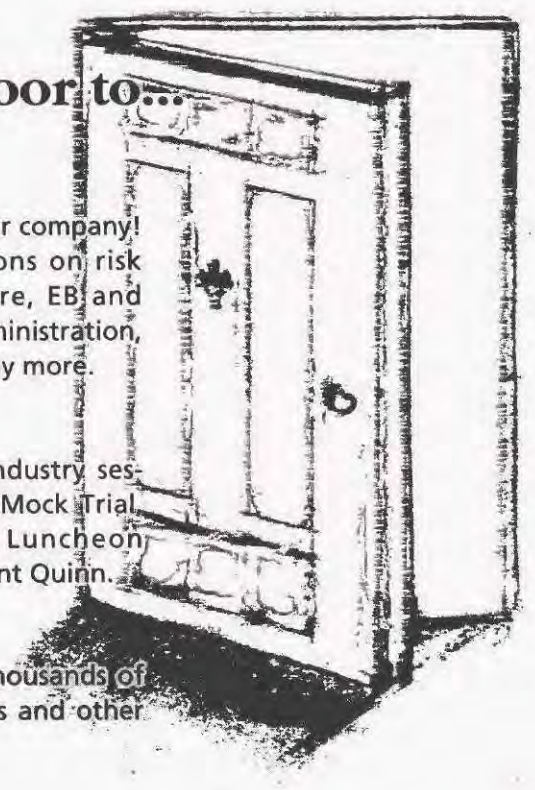

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Gooda Walker vote dooms Lloyd's offer

By STACY SHAPIRO

LONDON—It will take a miracle for Lloyd's of London's 900 million pound ($1.35 billion) settlement offer to litigating members to be approved, now that it has been formally rejected by the largest members action group.

Following a raucous meeting last week, 1,563 Gooda Walker Action Group members voted against Lloyd's offer, with 300 in favor and five abstentions. This gives the action group the authority to reject the offer on behalf of all of its members.

Gooda Walker claims account for about 23% of the offer, which can only become unconditional if it is accepted by Feb. 14 by names representing more than 70% of the offer's value. Many other action groups, including Feltrim Names Assn., also are expected to reject the offer (*BI*, Jan. 17).

The chairmen of both action groups say they continue to believe that Lloyd's might come back to the negotiating table if the current offer lapses.

The Feltrim group was expected to decide last Friday whether its executive committee could negotiate a new settlement with Lloyd's if it rejects the offer, Feltrim Chairman Colin Hook said last week. He believes a revised offer should be proposed when more is known about the capping of Lloyd's pre-1986 long-tail liabilities into a new reinsurer, called NewCo., and its cost to the membership.

"The (present) offer is substantial but not good enough yet," he told members at the Society of Names conference early last week. "A settlement must include some sort of cap or finality" to the members' losses, he said.

Lloyd's Chief Executive Peter Middleton has said the offer is final and will not be revised. But other Lloyd's executives say they will continue to work with the action groups to find a solution to the litigation if the members wish it.

Early last week, more than 800 members of the Gooda Walker Action Group packed the plush Grosvenor House Hotel ballroom to debate the proposed settlement before they voted resoundingly against the offer.

The group's chairman, Michael Deeny, urged members to reject what he called a one-sided offer.

He faulted the proposal as not offering enough money and not capping members' future liabilities. Errors and omissions insurers are only contributing 400 million pounds ($598.6 million) to the offer even though they have admitted to coverage of up to 1.085 billion pounds ($1.62 billion). The members of the Gooda Walker Action Group have been offered 220 million pounds ($329.2 million) but their liabilities now total some 512 million pounds ($766.2 million), Mr. Deeny said.

The offer also would remove members' right to sue, including for fraud, though the Gooda Walker and Feltrim action groups could sue their auditors. Both groups are preparing lawsuits against their syndicates' auditors, Littlejohn Fraser and Arthur Andersen, respectively.

"One member wrote to me and described (the offer) as having as many strings as a parachute but not the same lifesaving qualities," said Mr. Deeny.

Litigation does have its pitfalls,

Continued on next page

AGF to continue acquisition talks with Banesto unit

By MARIA KIELMAS

MADRID—Insurer Union y El Fenix Espanol and Assurances Generales de France are continuing merger negotiations despite the turmoil surrounding UFE's parent.

The proposed merger was in the works before the Spanish banking and insurance authorities' Dec. 30 intervention into the business of Madrid-based UFE and its principal shareholder, Banco Espanol de Credito, known as Banesto.

The authorities intervened to prevent Banesto's collapse after they discovered an estimated 675 billion peseta ($4.74 billion) asset shortfall. This figure may still increase, Spanish banking sources say.

Banesto owns 28.9% of UFE, down from 51% in 1991, when it sold a stake to Paris-based AGF's Madrid subsidiary, AGF Seguros (*BI*, Aug. 26, 1991). AFG paid 1.5 billion francs ($290 million at the appropriate exchange rate) for that stake.

The relationship between AGF, UFE and Banesto has been plagued by problems from the start.

First, Spanish tax authorities delayed authorization of AGF's initial purchase for reasons never made clear.

Then AGF questioned UFE's 1992 financial results until more realistic figures were compiled, according to an AGF spokeswoman in Paris.

At a Jan. 5 press conference in Madrid, UFE President Alberto de la Puente, who had been appointed by the Spanish insurance authorities following their intervention, said that the company would register a 1992 loss of 11.8 billion pesetas ($102.8 million), instead of the 503 million peseta ($4.4 million) loss for 1992 that was filed by the previous UFE management.

The company's 1992 net premium income was 23 billion pesetas ($200.3 million).

The AGF spokeswoman said the size of the newly estimated loss was not surprising and was in line with AGF's expectations.

Following the Jan. 5 announcement by Mr. de la Puente, Spanish and French insurance sources said discussion of the proposed merger would begin immediately, with a

Continued on page 33

Lloyd's investments

Corporate trusts report details of syndicate allocations

By ADRIAN LADBURY

LONDON—Exactly who is controlling almost 1.4 billion pounds ($2.07 billion) of 1994 corporate underwriting capacity at Lloyd's of London became clear last week as the last few of the 12 publicly traded corporate trusts released details of their capacity allocations.

The new corporate investors have selected a mix of business similar to last year's individual investors, and many of last years most popular managing agents and syndicates fared equally well with the first-time corporate investors.

It is difficult to assess whether these corporate portfolios are significantly different from the rest of the 1994 market, because information on the estimated 9 billion pounds ($11.84 billion) or more of individual capacity allocations is not yet available, and neither is information on the allocations of another 200 million pounds ($295.9 million) of private corporate capacity.

In total, the 12 publicly traded trusts have allocated 1.396 billion pounds of capacity ($2.07 billion) with 164 syndicates via 57 managing agents, according to calculations by *Business Insurance*.

Some trusts have opted for a very wide spread of syndicates, such as London Insurance Market Trust Ltd., which has allocated 502.5 million pounds of capacity ($743.5 million) among 101 syndicates through 33 managing agents.

Others went for a smaller group and bigger chunks of capacity, such as New London Capital P.L.C., which placed 105 million pounds ($155.4 million) worth of capacity with only 22 syndicates through 13 managing agents.

Portfolio selection strategy differed considerably among the corporate trusts. Some trusts opted for business mixes very heavily weighted toward specific sectors, usually the non-marine sector. But on the whole, they did not stray too far from market patterns in recent years.

On average, 46% of the corporate capacity was allocated to the non-marine sector, 32% to marine, 12% to aviation and 10% to motor.

According to Lloyd's, the comparative business mix for individual allocated capacity at the begnning of 1993 was 41% non-marine, 37% marine, 8% aviation and 14% motor.

The most popular managing agency among the corporate investors and their advisers is Murray Lawrence & Partners Ltd., which attracted a total of 90.92 million pounds ($134.5 million) onto nine of its syndicates.

Second in demand was Bankside Syndicates Ltd., which attracted 76.75 million pounds ($113.3 million) of capacity onto nine syndicates.

Cotesworth & Co Ltd. took a close third with 74.9 million pounds ($110.8 million) placed with five syndicates.

The rest of top 10 managing agents in terms of 1994 corporate capacity are:

- Wren Syndicates Management Ltd., with 69.9 million pounds ($103.4 million) on six syndicates.
- Stewart & Hughman Ltd., with 62 million pounds ($91.7 million) on eight syndicates.
- A.J. Archer Holdings P.L.C.—which includes Tower Underwriting Agents Ltd.—with 61.25 million pounds ($90.6 million) on eight syndicates.
- Brockbank Syndicate Management Ltd., with 60 million pounds ($88.8 million) on three syndicates.
- Wellington Underwriting Agents Ltd., with 55.83 million pounds ($82.6 million) on 10 syndicates.
- Sturge Holdings P.L.C. with 55.77 million

Continued on next page

German law may boost D&O cover demand

By DON LEWIS KIRK

BONN, Germany—Germany's tough environmental protection laws are creating greater liability exposures for companies and their directors and officers, and companies are starting to look to D&O liability coverage to finance the risk.

"As German (environmental impairment liability) laws take hold, there's a greater threat of litigation," said Johann Hendrick Mohr, managing director of third-party liability and casualty insurance at broker Jaspers Industrie Assekuranz GmbH in Frankfurt. "Unfortunately, directors and officers are not exempt."

In 1991, a wide-reaching law defining corporate liability for pollution took effect in Germany (*BI*, Nov. 19, 1990). The law outlines civil damages for wrongful death, personal injury or property damage caused by air, soil or water pollution.

Not only did Germany's laws broaden corporate responsibility for pollution, it inadvertently added to the liability of individual managers.

"If company officers neglect risk management, they subject themselves to litigation when things go wrong," said Jorg Bechert, a D&O liability specialist at broker Jauch & Huebener KGaA in Hamburg. "One possibility is a lawsuit from shareholders, who refuse to accept financial losses that stem from manager neglect."

"Most managers in Germany don't realize the extent of their liability," said Klaus Nowitzky, also a managing director at Jaspers Industrie Assekuranz.

There has been a dramatic increase in German state officials prosecuting company executives for cases of alleged corporate negligence, he contends.

"Corporate directors and officers are held liable for damage to their companies, and exemptions are few," according to Mr. Nowitzky. "The accused manager—not the company—carries the burden of proof, and liability is unlimited."

The potential exposure has prompted risk managers and insurers to search out the optimal coverage for pollution-related claims that target directors and officers.

Karl-Peter Thevessen, director-legal cost insurance for Gerling Versicherungs A.G. in Cologne, estimates that demand has increased 50% for insurance covering the legal costs of directors and officers because of the EIL law. However, this type of coverage only covers court costs and legal fees, not any judgment against a policyholder.

The effectiveness of legal cost insurance often ends where top managers need it most, said Jaspers' Mr. Mohr. "It may pay for court and lawyers fees, but not for the financial losses which stem from the manager's liability."

As a result, other alternatives are needed to close the coverage gap for liability arising from pollution-related claims. One option relatively new to German buyers is D&O liability insurance, which would typically include defense costs within limits.

American International Group Inc. has a German D&O policy on its drawing board that would include coverage for claims arising from pollution liability. The insurer already offers similar D&O coverage in the United States.

However, AIG plans to limit the amount of D&O coverage for pollution-related claims to about 5 million deutsche marks ($2.9 million), which brokers say is too low.

"Lawyers' fees alone are often several million deutsche marks," said Mr. Mohr. "A D&O policy of 5 million deutsche marks insurance coverage is not much better than legal cost insurance."

And not all insurers are con-

Continued on next page

Gooda vote

Continued from previous page

Mr. Deeny and the action group's lawyer, Philip Rocher of Wilde Sapte, pointed out repeatedly. In particular, it could take two years for members to see any money even though the trial date is April 26 and the judgment could be published before year end. And, the E&O pot will be reduced by the defendants' litigation costs because the costs are included in the policy limits.

A recent move by members agents is not expected to delay the trial. They are petitioning the House of Lords to reverse a Court of Appeal ruling that members agents are contractually liable to pay damages to members for the negligence of managing agencies (*BI*, Dec. 20, 1993).

But as long as the Gooda Walker names stand united, Mr. Deeny says he believes litigation will lead to an improved offer. "In commercial litigation, if the other side offers you 40% of your losses four months before you're due to be in court. . .most people would be inclined to say that it looks as though the other side thinks we're going to win. Let's press on and see what we're going to get when we're in court."

Some action group members disagreed. Some questioned whether a bird in the hand was worth more than one and a half in the bush. "As far as I can see, the bird in the hand belongs to the gamekeeper," answered Tom Benyon, the vice chairman of the action group.

A brave members agent who belongs to the action group stood up to booing and heckling, commenting that the action group was doing "a great disservice" to the members by proposing a rejection of the offer.

And a Lloyd's aviation broker said that, in his experience, litigation always takes a great deal longer and costs three times as much as first estimated.

But most of the members who spoke at the Gooda Walker meeting backed Mr. Deeny's rejection of the offer not just because they want compensation but also because they are angry at the way they've been treated.

One American member described Lloyd's proposal as "a pathetic little offer."

Another member from Ireland noted that Lloyd's said 12 months ago it could do nothing for the membership and now a "one-sided and cynical" offer is on the table. Because the Gooda Walker action group is spearheading what happens at Lloyd's, "we must take a stand and show them that we mean business," he said, receiving a round of applause.

A working name who said he could go bankrupt added that he'd rather spend his family's money on lawyers and uphold his family's honor than pay a single cent more to Lloyd's. "Let's fight this all the way and give Lloyd's a bloody nose," he said, drawing cheers.

"If you've got a winning team, now is not the time to pick up the ball and go home," said another member who is hopeful of a revised offer. "In my business, my first price was very rarely my last."

Mr. Deeny agreed. "We've got this far by unity and solidarity. Let us continue to be united. And let us be resolute to reject the offer from Lloyd's." BI

D&O cover

Continued from previous page

vinced that D&O insurance is a wise option for covering executives' pollution-related liability.

Horst Ihlas, manager-financial risks for Chubb Corp., said most insurers like Chubb that write D&O insurance in Germany are wary of coverage for pollution-related claims. "We haven't seen a claim of this type yet, and there's a danger we'll create demand where there is no litigation," he said.

A model pollution liability insurance policy drafted by the German Liability Assn. to meet the coverage requirements of Germany's environmental law has been met with skepticism by liability insurers, Mr. Ihlas noted.

D&O shouldn't be used to fill in gaps in companies' pollution liability coverage, he contends.

Although not all D&O insurers have been hit by polluted-related claims, insurer sources say that could change, noting that several German managers have been sued by their companies for their roles in pollution-related incidents. Since the EIL law went into effect, government officials have conducted 27,000 preliminary investigations of pollution-related claims against companies, prompting the increased action against individual managers.

In highly sensitive areas like environmental protection, the availability of D&O coverage could enable companies to settle cases with top managers, avoiding the unwanted publicity of a lawsuit, Jaspers' Mr. Nowitzky said.

"It used to be companies would keep problems in management quiet. Most differences ended with a gentlemen's agreement. That is no longer the case," said Gerling's Mr. Thevessen.

"The problem with D&O in Germany is the (available limits) of insurance," Mr. Thevessen said. "Insurance companies in Germany offer D&O insurance coverage between 50 million and 100 million deutsche marks (between $28.6 million and $57.2 million). In some cases, he said, "That's just peanuts."

And insurers like AIG may limit coverage for claims arising from pollution liability.

Nonetheless, the demand for D&O coverage is growing. "State prosecution of top managers has increased," Mr. Thevessen said. "In the past, we had the situation that courts would prosecute the little guy—the person that turned the wrong tap or pulled the wrong switch. But now, if something goes wrong, prosecutors start at the top. The manager is prosecuted first for anything that goes wrong."

In 1989, a German federal court ruled against managers of ERD-AL-REX GmbH, a unit of leather spray manufacturer Werner & Mertz GmbH in Mainz, Germany. The court determined that all levels of management were liable for damage from a faulty product that was not recalled.

Even though management based its decision on an analysis of the product's risks, the court upheld sentences and fines at all levels of management, including heads of subsidiaries.

While the trend of holding managers liable for corporate negligence is expected to increase, German risk managers for the time being prefer legal cost insurance to D&O liability coverage.

Legal cost insurance has become one of the fastest-growing and most profitable sectors of the German insurance industry. When 1993 financial results are released, this line of coverage is expected to show a 6% increase in premium volume to 3.9 billion deutsche marks ($2.23 billion), industry sources say.

D&O insurance eventually may see the same growth.

"All levels of management face new risks," said Mr. Thevessen. "In the next five years, the demand for D&O insurance could also change dramatically."

"Companies use D&O to cover the liability of groups of executives, like the board of directors or company supervisory board. But demand remains moderate," said Jaspers' Mr.. Nowitzky. "There are about 500 policies in Germany, with a combined yearly premium volume of 20 million deutsche marks ($11.4 million). Most of these policies are for managers working in the United States, where D&O is more important," he said.

"D&O has been neglected," said Fritz-Jurgen Cremer, risk manager of Germany's largest chemical manufacturer, Hoechst A.G. "Germany's legal system hasn't put much pressure on directors and officers in the past. There weren't many cases where D&O would go into effect. But things are changing. It's worth thinking about." BI

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Continued from previous page

pounds ($82.5 million) on 11 syndicates.

- Gravett & Tilling (Underwriting Agents) Ltd., with 49.18 million pounds ($72.8 million) on two syndicates.
- Methuen (Lloyd's Underwriting Agents) Ltd., with 48.86 million pounds ($72.3 million) on four syndicates.
- R.J. Kiln & Co. Ltd., with 44.36 million pounds ($65.6 million) on eight syndicates.

The most popular syndicate, by total capacity allocated, was syndicate 488, managed by Charman Underwriting Agencies Ltd. with John Charman as lead underwriter. That syndicate, which predominantly writes marine insurance, attracted 54.85 million pounds ($81.2 million) of corporate capacity.

Other popular syndicates were: syndicate 861, a marine syndicate managed by Brockbank with Mark Brockbank as lead underwriter, with 43 million pounds ($63.5 million) of corporate capacity; marine syndicate 228, managed by Cotesworth with underwriter B.G. Devereese, with 36 million pounds ($53.3 million); non-marine syndicate 435, managed by D.P. Mann Underwriting Agency Ltd. and underwriter David Mann, with 32.5 million pounds ($48 million); and non-marine syndicate 362, managed by Murray Lawrence and underwriter Richard Keeling, with 29.4 million pounds ($43.5 million). BI

INTERNATIONAL

Banesto

Continued from page 31

view to AGF Seguros taking a 60% stake and running UFE's operations while the Banesto stake would fall to 14%.

However, a UFE spokeswoman in Madrid said recently that the two companies in their merger talks have yet to agree on specific percentages. AGF has not commented.

The crisis at AGF and Banesto has come at an embarrassing time for AGF, stock market analysts say, because the state-controlled French company is slated for imminent privatization by the French government.

AGF bought its stake in UFE at a price of 11,500 pesetas per share ($119), but UFE's share price had sunk to 2,330 pesetas ($16.38) earlier this month.

"UFE's problem was that it always was a badly managed company and run for the benefit of the bank," said Mike Wheelhouse, insurance analyst at London-based stockbroker Nomura International.

Not only has AGF's original investment in UFE fallen to a fraction of its original value, but AGF will still have to pump more money into the merged company, he said.

But AGF is continuing to invest in Spain because UFE still has valuable assets, and after AGF Seguros and UFE merge, AGF will appoint new company management, the AGF spokeswoman said. In addition, AGF Seguros has reported good results, expecting a 1 billion peseta ($7 billion) profit for 1993. AGF Seguros' gross premium volume for 1993 is preliminarily estimated to be 31.8 billion pesetas ($220 million), a 6.1% increase over 1992.

'I don't think the Banesto problem will have a great impact on the cooperation between banks and insurance companies in Spain,' says Diego Prado, insurance analyst at stockbroker Carnegie International in Madrid.

Many foreign insurers invested heavily in the Spanish insurance market in the 1980s, expecting significant growth. But these assumptions were shown to be incorrect by the late 1980s, as foreign investors also learned that the companies they had bought were both underreserved and undercapitalized.

"What the foreign companies did in the 1980s, AGF did in the 1990s, and that's unforgivable," Mr. Wheelhouse said.

The AGF spokeswoman countered that at the time the UFE stake was purchased, insurers and bankers still were as bullish about the prospects in the Spanish market as they were in the 1980s.

Multiline insurer UFE is the fifth-largest insurer in Spain, based on premium volume, according to AGF. The largest insurer in Spain is the successful multiline insurer Corp. Mapfre (*BI*, Dec. 13, 1993).

Spanish banks have traditionally held large stakes in insurance companies and in other industries, a custom that Mr. Wheelhouse describes as unhealthy. The insurance company is used to provide substandard insurance rates for the bank's affiliate companies, even though such a practice depresses profitability. "UFE was always used by Banesto to facilitate transactions between companies in the group," said Angus Runciman, insurance analyst at London-based stockbroker Barclays de Zoete Wedd.

"But I don't think the Banesto problem will have a great impact on the cooperation between banks and insurance companies in Spain," said Diego Prado, insurance analyst at stockbroker Carnegie International in Madrid.

The Spanish press has been printing numerous allegations of fraudulent transactions on the part of the bank's management, including the transfer of the Banesto treasury stock to UFE, which caused UFE a serious loss. Other allegations concern illegal enrichment by Spanish individuals during the AGF purchase of UFE stock.

But insurers in Spain note that none of the allegations has been upheld yet by the banking and insurance supervisory authorities. The Bank of Spain, the country's central bank, has said that a criminal case is not being pursued yet in the Banesto affair.

The troubled relationship between the Spanish government and Mario Conde, the fired Banesto president who had previously tried to wrest control of the bank and its industrial holdings from its former directors, first touched the insurance sector in 1991, when Banesto filed an application with insurance regulators to authorize AGF's purchase of UFE stock. The tax authorities spent several months delaying a decision on the matter.

"You didn't know at the time whether this was due to the relationship between Conde and the Spanish government or whether there really was a tax problem," said Barclays' Mr. Runciman.

Managing UFE once it had bought into it was another formidable problem for AGF, says Nomura's Mr. Wheelhouse.

The first problem was distribution of insurance products.

UFE did not have its own sales force. "Before foreigners started buying into Spain (in the mid- to late 1980s), the agents were very cheap. Badly managed companies like UFE could survive because agents were cheap. But when the foreigners started paying more, the costs of agent networks shot up," Mr. Wheelhouse said.

Mapfre operates a large and successful agent network, while UFE was left with small-company business, Mr. Wheelhouse said.

And Mapfre was not exposed to the money-losing automotive sector, in which UFE has had a large exposure.

Mapfre has been registering huge earnings in the life insurance and pension business, the only real growth area in the Spanish market. Banesto's policy was to exclude UFE from the life business.

A joint company, Banfenix, was created by Banesto to sell UFE life insurance products through Banesto's banking network. Despite the latest events, Banesto will keep this subsidiary, a UFE spokeswoman said. BI

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Vice-Presidents, General Managers and Other Administrative Personnel 4,140

Financial:
Chief Financial Officers and Vice-presidents of Finance 2,495
Secretaries, Treasurers, contollers and other Financial Personnel 3,702

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 15,094

Sub-total 28,112

Associations 385
Government, unions and Educational Institutions 1,075

Commercial Consumers

Sub-total 29,572

Insurance Agents and Brokers 8,714
Insurance Companies .. 7,981
Accountants, Actuaries, Attorneys & Consultants 3,532
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers 1,936
Others Allied to the Field 1,081

TOTAL 52,816

★ Source Business/Occupational breakdown of qualified circulation, May 31, 1993 issue, as submitted to BPA for June 1993 BPA Publisher's Statement.

BUSINESS INSURANCE

upcoming issues:

Issue:	**Jan. 31**	Conference Report: BI Health Care Conference	Classified Close:	**Jan. 25 - noon**
Issue:	**Feb. 7**	Self Insurance: Employee Benefits & Property/Casualty	Classified Close:	**Feb. 1 - noon**

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For the Record

Treasury to reconsider age-weighted plan ban

WASHINGTON—Benefit lobbyists say the Treasury Department is softening its opposition to age-weighted profit sharing plans and is considering several alternatives to part of a pension insurance reform bill that would wipe out the plans.

Under one alternative, age-weighted plans would have to offer some type of minimum benefit with accelerated vesting, while another alternative would limit the difference in benefits provided to groups of employees.

Texas levies $400,000 fine against Blues plan

AUSTIN, Texas—The Texas Department of Insurance is seeking more than $400,000 in fines and restitution from Blue Cross & Blue Shield of Texas for denying health coverage to two infants.

Under the Blues' Select 2000 policies, children less than 90 days old are not covered if their mothers had no maternity benefits when they were born.

The department claims this violates the state insurance code, which prohibits waiting periods for newborns and exclusions for congenital defects of newborns.

In one case, Tony and Krista Williams of San Antonio applied for coverage for their 90-day-old son, but were turned down because of his congenital heart condition. Ms. Williams was pregnant when the family bought the BC/BS policy, so she was ineligible for maternity coverage. The family has amassed $300,000 in claims since June.

In the other case, James and Denise Hickey of Houston were denied payment of $20,000 in claims for their premature son born in August. Although Ms. Hickey did not have maternity coverage, she had been told the child would be covered.

In addition to payment of the claims, the department recommended $100,000 in fines plus restitution to any other Select 2000 policyholders whose claims for newborns were denied.

BC/BS has not decided whether to pay the fines or seek a hearing.

Excess insurer refusal to drop down upheld

CHICAGO—An excess liability insurer is not required to drop down and indemnify a policyholder when its insolvent primary insurer failed to pay, the 7th U.S. Circuit Court of Appeals says.

The ruling by a three-judge panel affirms a lower court ruling that Hartford Accident & Indemnity Co. is not required to drop down to cover claims on an excess comprehensive general liability and automobile insurance policy written by Holland-America Insurance Co. The policyholder was the Chicago Housing Authority. In addition, the public housing agency must repay $344,946 to Hartford for claims the excess insurer mistakenly paid before it realized the situation, the 7th Circuit ruled.

The agency filed 841 claims in the policy year ended April 1, 1984.

Antitrust leniency needed: AMA letter

The American Medical Assn. says the federal government's plans to partially relax some antitrust laws under President Clinton's national health care reform plan don't go far enough.

The Justice Department and the Federal Trade Commission issued some guidelines in September 1993, listing limited circumstances in which doctors could collaborate or enter into joint ventures without violating antitrust laws. For example, the new guidelines allow up to 20% of physicians in a given location to form joint ventures, as long as the venture does not include too many physicians in the same specialty.

The doctors' group is seeking further leniency because it says the changes may be adequate for today's health care market, but won't be under the health care system President Clinton envisions.

In a 21-page letter to the two departments, Kirk Johnson, general counsel for the Chicago-based AMA, said the guidelines are an improvement over current regulations. But, he wrote, "The AMA also believes (the guidelines) are too restrictive as currently drafted to be truly useful in meeting the needs of the very dynamic market for physician services." He requested the guidelines be "modified to facilitate certain joint activities by physicians," like organizing joint venture networks that could negotiate with health plans or government entities.

The group also contends the changes unfairly benefit groups of doctors who form joint ventures designed to offer capitated payment arrangements, rather than those with discounted fee-for-service or managed fee-for-service payment systems.

NAC Re announces management changes

GREENWICH, Conn.—Thomas C. Jones will resign as a director, chief operating officer and executive vp of NAC Re Corp. and subsidiary NAC Reinsurance Corp., effective June 30.

At the same time, Greenwich, Conn.-based NAC Re announced a new management structure with several promotions: C. Fred Madsen named executive vp-casualty; Stanley Kott named executive vp-property; Laura Shanahan named vp-fidelity and surety group; George Stoffel named senior vp-casualty clash/high excess treaty operation; Martha G. Bannerman named executive vp; and Paul Malvasio and John Murad named senior vps.

N.J. diocese settles 19 sex abuse claims

CAMDEN, N.J.—The Roman Catholic Diocese of Camden, N.J., has paid $3.2 million to settle sex abuse claims that 19 men and women have filed against priests since 1990.

Some of the payments were covered by insurance, according to Bishop James McHugh. And for those claims not covered, the diocese has established a reserve under its self-insurance program, he said.

A spokesman for the diocese declined to provide further details, citing confidentiality agreements included in the settlements.

Information in brief

Taking advantage of a recent Illinois law, **Hewitt Associates** has switched from a partnership to a limited liability company. The new legal structure allows the firm to operate as it had been, but places limits on employees' personal liability. . . .The Occupational Safety and Health Administration plans to issue a **proposed ergonomics standard** for general industry by Sept. 30. . . .The Clinton administration wants the Senate to approve the **Montreal Protocols** to the Warsaw Convention on airline liability. The protocols, which date from the mid-1970s, set limits on an airline's liability for the death or injury of passengers on international flights. B1

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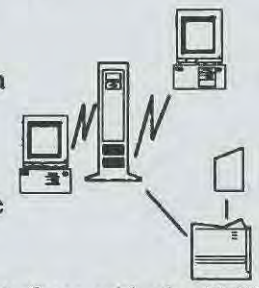
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L.A. QUAKE

Computing impact of a catastrophe

Software speeds insurers' claim response

By MICHAEL SCHACHNER

Faced with massive damage claims from last week's earthquake in Los Angeles, most insurers spent the first few days after the quake using sophisticated computer software to pinpoint where the bulk of their losses might be and their potential size.

Rather than wait for field personnel to report or for policyholders to file claims, most insurers turned to one of several computer mapping and loss assessment systems to determine where quake damage occurred and how much in losses they might ultimately face.

And, while early loss models may eventually prove to be too low or too high, insurers say having such knowledge soon after a catastrophic event like the Los Angeles earthquake helps them in their claims response efforts.

For example, instead of having to send adjusters and claims personnel on a long, general tour of the entire affected area, which in this case spans many miles, insurers initially can target the specific areas—even the specific streets—where they have policyholders with certain or probable damage.

"The software systems help us locate policies and give us a rough estimate of what we're looking at in terms of losses," said Wayne Sorensen, vp-research with State Farm Group in Bloomington, Ill., one of the largest homeowners insurers in the Los Angeles area. "But earthquake losses aren't a software question. Quake modeling is fortuitous because there's so much unpredictability. One building may have damage while the one next door is fine. There's no substitute for visual inspection."

But insurers insist the software systems provide valuable information. In the case of last week's earthquake, the models are run by inputting geological statistics like the quake's 6.6 Richter scale reading, the location of the quake's epicenter and the depth at which the shaking occurred. In addition, the number of policies in effect, the types of structures insured, those structures' susceptibility to damage, and policy terms and conditions are input.

"Each insurer client has a data base of all its insured exposures loaded onto the system," said G. Thompson Hutton, president of Risk Management Software Inc. in Menlo Park, Calif., which markets the Insurance Risk Assessment System to insurers.

"The system performs a loss simulation based on geological factors, soil conditions, specific building performance factors and insurance policy terms. The end result is an expected loss and distribution for its entire book of business and loss estimates for every insured property," he said.

RMS uses the same technology to estimate total losses for the insurance industry. Insured losses from last week's earthquake will be an estimated $1.5 billion to $2 billion, while total damages will be more than $10 billion, Mr. Hutton said. "This figure includes losses due to structural damage, loss of contents and time-element losses, like being removed from your house or business interruption. Because the infrastructure is so heavily damaged throughout the L.A. area, the time-element loss numbers are hardest to come up with."

EQE International Inc. of San Francisco, which also specializes in natural hazard risk and loss assessment, also uses a software program to project catastrophic damages.

"What we get for the entire industry is a computerized estimate of total losses as well as a breakdown of commercial, residential and infrastructural losses," said EQE Vp Earl Aurelius.

An individual insurer then can di-

Continued on next page

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L.A. QUAKE

Modeling

Continued from previous page

vide EQE's industrywide figure by its own market share to come up with a loss estimate, or it can calculate its losses by placing its business portfolio over a general map of the most affected regions, he said.

EQEHAZARD, which is EQE's loss assessment software program, estimated total damage from the quake—including uninsured losses—will be at least $15 billion, with $5.8 billion of that total on residential property, $3.7 billion on commercial property, $1.5 billion on industrial property and $3.6 billion on infrastructure. Of that figure, which EQE cautions may grow over the next few weeks, only $1.5 billion to $1.9 billion is expected to be insured. As much as $1 billion of that figure will be residential losses, with the remainder comprising commercial and industrial losses.

While early industry loss estimates from firms like RMS and EQE were available just 48 hours after the quake hit, insurers seem to be more interested in using these programs to compute the amount and location of their own losses.

"It's still too early to project total losses, but we're using our own system to determine how many policies are in effect in the bad areas," said George Ramsdell, senior vp with Continental Insurance Co. in Cranbury, N.J. "We're developing a listing by area that will help us send adjusters to where they need to go."

Continental uses its own proprietary software system known as CatMan—Catastrophe Management Information Network—to pinpoint policyholders likely to have sustained damage. The program was developed for Continental by Strategic Mapping Inc. of Santa Clara, Calif.

Mitch Satler, product director of RLI Insurance Co.'s residential earthquake program, said the Peoria, Ill.-based insurer uses the IRAS system developed by RMS to model potential losses before they occur as well as to perform post-catastrophe loss modeling. Mr. Satler said RLI is using its IRAS system to estimate its total losses and to "get our people out knocking on doors before we even get a claim."

Prudential Property & Casualty Insurance Co. in Holmdel, N.J., is estimating its quake losses by using industrywide estimated loss figures received from its catastrophe modeling software vendor, Applied Insurance Research Inc. of Boston. PRUPAC then divides that figure by its market share in the Los Angeles region to get an idea of its potential losses.

"We realize that numbers now are basically wild guesstimates that are coming on the heels of a major catastrophic occurrence. All early Hurricane Andrew estimates were very light, so this lets us know whether losses will be bigger than a bread box, which in this case, they clearly are," said Len Guarini, vp-actuarial.

Applied Insurance Research declined to disclose its calculations for the insurance industry's quake losses, but Vivek Basrur, an AIR engineer, said that 25% to 30% of total damages could be insured. BI

Damage

Continued from page 1

Distributing and receiving stations sustained damage throughout the Los Angeles Department of Water and Power's vast network. But "the major problem was at the Sylmar Converter Station, which gets power from the Northwest," and relays it throughout the area, said a department spokeswoman.

Water aqueducts also were damaged, and the quake spared only one feeder line of the four that normally supply water to the San Fernando Valley, she said. Thousands of residents were still boiling their drinking water late last week as a result of damage to a DWP filtration plant.

The DWP is still evaluating the extent of its damages, said Risk Manager Marilyn Fuchs. The agency is self-insured for earthquake exposure, she added.

Southern California Edison Co., which supplies power to Los Angeles-area communities like Santa Monica and Culver City, reported "one heavily damaged transmission switching station" near the freeway collapse in Valencia and damage to another substation.

CalEdison's quake-related costs could amount to $100 million, said a spokesman, adding that the company "has sufficient insurance coverage to cover our losses."

While broken gas lines in residences appeared to pose an immediate fire hazard after the quake, Southern California Gas Co. had "very little damage" to its pipeline network and facilities, a spokeswoman said. The quake caused 250 breaks in more than 40,000 miles of pipeline; 90% had been repaired by the end of last week, she said.

SoCal Gas has earthquake insurance written by domestic insurers and Lloyd's of London, she said. "Limits are fairly significant," she added. "Our deductible is in excess of $1 million, and costs will be well within the deductible."

One of the many dramatic initial images that emerged from the earthquake was scenes of a demolished Bullock's department store in the Northridge Fashion Center mall. R.H. Macy & Co. of New York, which owns the chain, said it had not decided whether to rebuild.

Only one other Bullock's sustained structural damage, a Sherman Oaks store that also had water damage from its sprinkler system. That store will eventually be reopened, said a spokeswoman.

Macy's has earthquake insurance, including business interruption coverage.

The Northridge Fashion Center mall is insured for $102 million, part of which is led in the London market, said underwriters at Lloyd's of London. Four parking garages, some of which were destroyed, account for $38 million of the coverage.

Among numerous other retailers with damage, Sears, Roebuck & Co. incurred damage to several area stores.

Seven of the retail giant's 27 facilities in the Los Angeles area were damaged to varying degrees, with three sustaining structural damage that will keep them closed for months, said a spokeswoman.

The most seriously damaged was the store in the Northridge Fashion Center, which won't reopen until "sometime later this year," she said.

The spokeswoman said Sears has earthquake insurance but would not provide details.

Sources say that Sears' coverage kicks in after it pays 5% of total losses up to $10 million. Coverage excess of $25 million is placed in Lloyd's by brokers Lowndes Lambert North America Ltd. in London and Marsh & McLennan Inc. in the United States.

Best Products Co. Inc., a Richmond, Va.-based catalog showroom chain, reported that only its Northridge location out of approximately 15 stores in the area sustained any significant damage.

"We have earthquake insurance on all our California locations," a spokesman said. He said the first two layers of the coverage, which include property damage and business interruption losses, are from Aetna Life & Casualty Co. and USF&G Corp.

Levitz Furniture Corp. of Boca Raton, Fla., reported severe damage to its Northridge store.

"That's the only store that really experienced structural damage," said Patrick J. Knowland, senior vp-finance.

"We're completely covered by insurance," said Mr. Knowland. He said the chain's property insurance is written by members of the Factory Mutual System, while earthquake coverage is provided by a difference-in-conditions policy written by American International Group Inc.

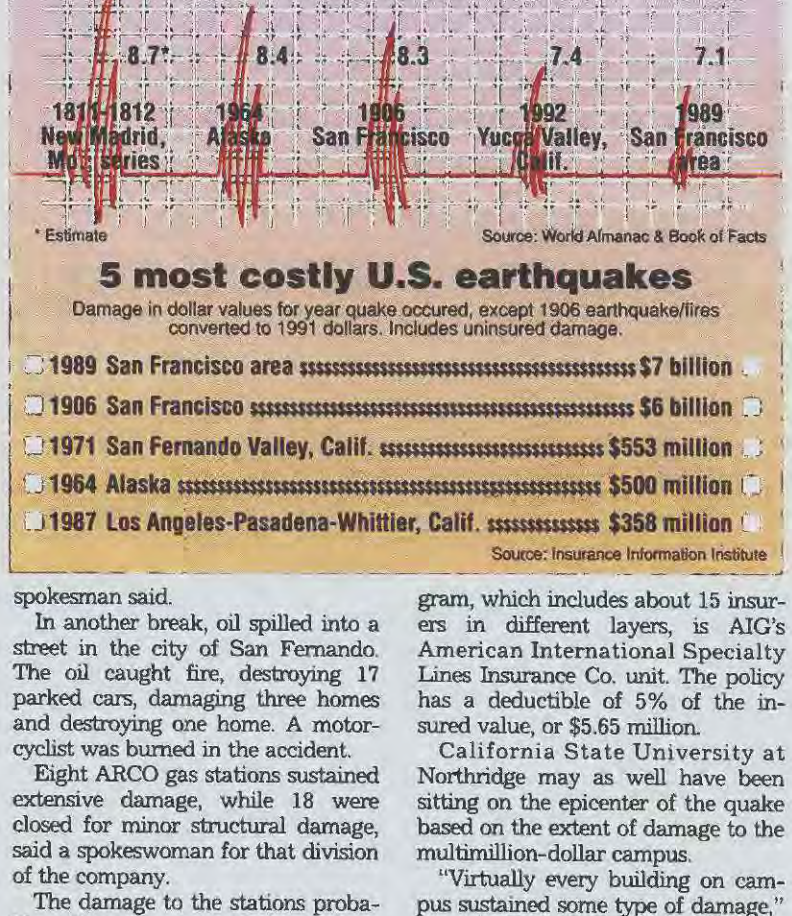
Three Holiday Inns—in Santa Monica, Van Nuys and Woodland Hills—were closed following the quake.

Tony Rodolakis, vp-risk management/employee benefits for Atlanta-based Holiday Inn Worldwide, said the damage was still being evaluated. Holiday Inn has $100 million in earthquake coverage through a layered, difference-in-conditions program.

"We don't anticipate that there'll be a coverage problem," added Mr. Rodolakis. He added, though, that he was unsure if the damage was significant enough to penetrate the deductibles. Holiday Inn's deductible on the program is 5% of the aggregate value of the hotels that have been damaged. The hotel company's out-of-pocket costs were then brought down to $500,000 through a policy obtained from syndicates on the Illinois Insurance Exchange.

In addition to property damage, the quake led to an oil spill in a local river.

One of Atlantic Richfield Co.'s three major pipelines delivering oil to the Los Angeles Basin was damaged in several places. One rupture spilled more than 94,000 gallons of oil into the Santa Clara River, a spokesman said.



In another break, oil spilled into a street in the city of San Fernando. The oil caught fire, destroying 17 parked cars, damaging three homes and destroying one home. A motorcyclist was burned in the accident.

Eight ARCO gas stations sustained extensive damage, while 18 were closed for minor structural damage, said a spokeswoman for that division of the company.

The damage to the stations probably will not exceed ARCO's deductible, she added.

ARCO's first $200 million in property coverage is placed with industry captive Oil Insurance Ltd. Losses in excess of $200 million are placed in London by C.T. Bowring & Co. Ltd. and Willis Corroon Group P.L.C.

From an early assessment, it does not appear that any ARCO liability will exceed its self-insured retention, the spokeswoman said, declining to give details.

Many insurance companies also sustained damage to their offices, particularly companies located in Woodland Hills, where dozens of insurers have offices with mild to severe damage.

The quake also caused significant damage to public facilities.

Anaheim city officials are still trying to determine what caused a 17-ton scoreboard to fall in its stadium during the quake, damaging about 1,000 upper deck left field seats.

"We are doing a full investigation to understand why the failure occurred, because the severity of the earthquake in the Orange County area was not very high," said Anaheim Risk Manager Tom Vance. "No other part of the stadium. . .sustained any damage to speak of, and yet this structure failed."

Estimates of the total damage caused when the Sony Jumbotron scoreboard and video replay board fell range from $4 million to $15 million, said Mr. Vance.

The city has $113 million in coverage on Anaheim Stadium as part of a blanket insurance program that includes earthquake coverage, said Mr. Vance. The lead insurer on the program, which includes about 15 insurers in different layers, is AIG's American International Specialty Lines Insurance Co. unit. The policy has a deductible of 5% of the insured value, or $5.65 million.

California State University at Northridge may as well have been sitting on the epicenter of the quake based on the extent of damage to the multimillion-dollar campus.

"Virtually every building on campus sustained some type of damage," a spokesman said. Damage to the university's 58 buildings ranged from slight "internal disruption," to severe structural displacement, he said.

Fire officials closed the entire campus while buildings are inspected. Among the buildings most badly damaged: a parking structure collapsed and was destroyed; two buildings in the science complex have fire damage, while two more were rendered structurally unstable; and the engineering building has asbestos contamination due to a removal project that was disrupted by the earthquake.

The university expects several million dollars of damage, much of which is uninsured.

"We are what you call self-insured" for earthquake exposures, said Pat Dayenko, director of contracts and procurement in the Long Beach chancellor's office.

After the Whittier quake that hit the Los Angeles area in 1987, the state university system was required to purchase a blanket earthquake insurance policy to cover damaged buildings whose reconstruction was subsidized by the Federal Emergency Management Agency, according to Cliff Johnson, procurement specialist for the state university system.

But when rates were later sharply increased, FEMA allowed the university to drop the coverage, he said.

Contractors working on campus construction projects, such as the asbestos removal contractors, are required to buy earthquake coverage, but only for 5% of the value of the contract, Mr. Johnson added.

About 100 schools in the Los Angeles Unified School District suffered "serious structural damage," including collapsed walls and damaged foundations, said a district spokesman.

For example, Kennedy High School in Granada Hills, near the epicenter, "looks like it's been shelled by artillery," he said. Part of the school is destroyed and will have to be demolished and rebuilt, he said.

Damage estimates for the hardest-hit schools run into the hundreds of millions of dollars. Not all of that will be insured.

The district buys no earthquake coverage for its 1,000 locations because it is "prohibitively expensive," said Karen Hemingway, director of the school district's Contract and Insurance Services Branch.

The district purchases $50 million in property insurance above a $2 million self-insured retention from Industrial Indemnity Co. and Essex Insurance Co. While it does not have earthquake coverage, the property coverage "could conceivably kick in" to cover water damage caused by the quake, said Ms. Hemingway.

Santa Monica, just over the mountains from the epicenter in Northridge, seemed to be one of the hardest hit cities outside the San Fernando valley, said Tom Phillips, the city's risk manager.

About 100 buildings of all types in Santa Monica—including churches, a hospital, apartments and commercial buildings—suffered serious structural damage, Mr. Phillips said.

Almost all city facilities had some damage, with some sustaining serious structural damage, he said.

Santa Monica carries earthquake insurance on most of its major facilities. "We carry a 5% deductible, so it's questionable whether any of these damages will be covered," Mr. Phillips said.

The city's DIC policies, covering earthquake and flood, are written by "half a dozen insurers" including RLI Insurance Co., Homestead Insurance Co. and Associated International Insurance Co. Limits, which vary with each facility, are "anywhere from $5 million to $10 million in most instances," he said.

Saint John's Hospital & Health Center in Santa Monica evacuated all its patients on Thursday when inspection revealed structural damage throughout the complex.

Several other area hospitals also sustained damage. While a Kaiser Foundation Hospital in Panorama City suffered only minor damage, Kaiser's $10 million Granada Hills medical office building, built in 1965, was a "total loss," according to a spokeswoman for the Oakland-based health care company.

Although the spokeswoman couldn't give insurance details, underwriters in London say the Kaiser Foundation Hospital places a $25 million primary property policy in the London market through C.T. Bowring & Co. Ltd.

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Judy Greenwald, Sara Marley, Stacy Shapiro and Paul Winston contributed to this report.

Insurers

Continued from previous page

Damages of $1.5 billion to $2.5 billion would make the Los Angeles quake the costliest U.S. quake ever for insurers. Five years ago, when an even stronger quake hit the San Francisco Bay area, the insured loss hit $960 million.

Insurance covered about 12% of the $7 billion in total damages in the 1989 quake. This time, that percentage could be doubled, said a spokesman for London brokerage Alexander Howden Ltd. He said that many more business interruption claims are likely, more earthquake coverage has been bought and property policies cover fire after a quake.

Still, experts agreed that even a larger toll would not turn the property/casualty market.

"If Hurricane Andrew didn't do it, it's hardly likely that this would do it," said Sean Mooney, senior vp and economist with the Insurance Information Institute Inc. in New York.

Michael Smith, a stock analyst with Lehman Bros. in New York, pointed out that insurance stocks did not follow their usual pattern of rising after a disaster in anticipation of higher rates. "We've cried wolf too many times, and nobody believes anymore that any event like this is going to turn the cycle," he said.

"This industry has clearly shown that it can swallow this," said Alan Levin, senior vp-insurance rating services of Standard & Poor's Corp.

And even in narrow markets like California earthquake coverage the quake may have minimal effects.

California's earthquake market is dominated by three giants—State Farm Group, Allstate Insurance Co. and Farmers Insurance Group—which together control just under half the market (see chart).

"Pricing for earthquake out here has been going up over the past year," said Earl G. Kehl, vp of marketing for Hobbs Group Inc. in San Mateo, Calif. Hobbs is the brokerage arm of Arkwright Mutual Insurance Co. Rates will likely rise beyond the 18% annual increases seen recently.

"Fire insurance and all property insurance is hardening," he said. "It will continue to harden at the same rate."

Statewide, about 25% of homes and businesses in California have earthquake insurance, the National Assn. of Independent Insurers says. In the San Fernando Valley, where the Los Angeles quake was centered, that figure is about 40%.

Californians are required by law to be offered earthquake insurance when they purchase or renew homeowners or renters insurance, but they are not required to purchase it.

Outside California, only 6% of businesses carry the coverage, said the III's Mr. Mooney. But in the exposure area, 32% of companies had the coverage in 1991, the most recent figures available.

Larger firms are more likely to buy quake coverage. "The vast majority of major, national accounts buy earthquake insurance, although it's quite expensive," said Mr. Kehl.

Most companies purchase a difference-in-conditions policy that covers earthquake with a deductible of 5% of value per location per occurrence. An "occurrence" generally lasts for 72 hours, with damages occurring after that subject to a new deductible.

In softer markets, most policies had a maximum deductible. These days, they are more likely to set a minimum amount that policyholders must contribute—often $250,000 for large risks, Mr. Kehl said.

Earthquake is usually broadly defined to include any earth movement, including slides, shifting, sinking and rising, he said.

More restrictive policies kick in only with "tectonic shock."

Neither of the two insurers that will probably face the biggest total claims—State Farm and Allstate—is reinsured for quake losses.

State Farm had received 35,000 claims, primarily homeowners claims, in just the first few days after the quake. After the San Francisco quake, by contrast, State Farm received a total of just 31,000 claims.

A spokesman said the insurer was planning to add 500 adjusters and 100 claims management professionals from across the country to the 100 adjusters already onsite.

Top earthquake insurers in California

	Market share
State Farm	24.3%
Allstate	12.6
Farmers	11.5
Aetna	6.1
USAA	4.5
20th Century	3.5
SAFECO	3.3
CSAA	3.0
Planet	2.4
TIG	2.3

Source: California Department of Insurance 1992 data

Allstate, which says earthquake reinsurance is too expensive to buy, had received 12,086 claims as of Thursday morning but had no estimate of cost.

A spokesman said the Northbrook, Ill.-based company had 300 adjusters on site or on the way by last Thursday morning, with additional cadres of retired adjusters on call.

Farmers Insurance Group had received 14,000 loss reports as of last Thursday. Of its 400,000 homeowners policies in the Los Angeles area, about a third include earthquake coverage, said a spokesman for the Los Angeles-based company.

Farmers does not buy catastrophe reinsurance but does have a risk excess reinsurance program for high-valued buildings that covers $28 million in excess of $2 million. There is a $56 million aggregate per occurrence on the risk excess policy.

Fireman's Fund Insurance Co. had more than 400 claims by Thursday.

About 15% of the commercial policies Fireman's Fund writes in California carry earthquake coverage, as do 20% to 25% of the homeowners policies, said a spokesman. He added that the percentage increases for homes close to known faults.

Fireman's Fund's catastrophe reinsurance treaty is $160 million excess of $45 million and renews April 1. It is led in Lloyd's, where about 40% of the coverage is placed. About 40% is placed in the U.S. market and 20% in Bermuda and European markets, said London underwriters.

Aetna Life & Casualty Co. of Hartford, Conn., reported having received about 600 claims, mostly homeowners. It had no estimate on commercial claims.

Nationwide Mutual Insurance Co. of Columbus, Ohio, had received 140 claims by last Friday.

TIG Holdings Inc. reported receiving 130 personal lines claims, both homeowners and automobile, with earthquake coverage by late last week. No commercial lines figures were available.

TIG's catastrophe reinsurance treaty is $170 million excess of $30 million. The program is led in Lloyd's with about 40%, the U.S. market with about an additional 40% and the remaining 20% in Bermuda and Europe, according to London underwriters.

CNA Insurance Cos. of Chicago had received 523 claims by the end of Wednesday: 458 personal lines, 50 commercial and 15 auto.

Associated International Insurance Co. of Woodland Hills, Calif., expects to pay out about $30 million in quake claims.

None of the Factory Mutual insurance companies had claims numbers as of Friday morning.

"We are not anticipating huge dollar losses from the quake itself," said Jim Black, vp and director of regional operations for Protection Mutual Insurance Co. in Park Ridge, Ill. "We are more concerned about water damage and sprinkler leakage."

Many buildings' fire protection has been knocked out following the earthquake, Mr. Black said.

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Stacy Shapiro, Sally Roberts and Tim Stanton contributed to this report.

L.A. QUAKE

Reinsurers don't expect a major financial blow

By JUDY GREENWALD

LOS ANGELES—Although reinsurers remain very much in the dark about the ultimate impact of the Los Angeles earthquake, they agree it will not develop into a major reinsurance loss.

One reason is that initial estimates of insured losses are $1.5 billion to $2.5 billion. That is far less than the $15.5 billion insured toll from Hurricane Andrew in 1992, and well below the $3.5 billion that some Lloyd's of London catastrophe underwriters say is the minimum loss that would trigger excess of loss reinsurance claims from major U.S. ceding companies into the London market.

Another reason reinsurers expect only small losses is that catastrophe rates have been high in recent years and those higher rates have prompted ceding companies to retain more losses.

In fact, the earthquake could actually increase demand for catastrophe coverage from Bermuda, London and U.S. reinsurance companies.

Aside from that, reinsurance executives do not expect the quake to have a major impact on reinsurance or the overall insurance industry.

Spokesman for the world's two largest reinsurers—Munich Reinsurance Co. and Swiss Reinsurance Co.—said early indications were that the quake was comparable to the 1989 San Francisco Bay area quake that did $960 million in insured damage.

"The circumstances are very similar, the insurance density and other factors are the same," said a Munich Re spokesman, adding that losses will likely be comparable as well.

"From our own perspective, our own assessment, it will be less than what we experienced from the San Francisco earthquake and, overall, it's not going to be a huge problem for the industry," said Bill Munson, president of reinsurer Mercantile & General Insurance Co. of America in Morristown, N.J. 'My guess is it's more of a psychological blow than a financial blow."

It may take reinsurers weeks to determine their actual quake exposure. "We're twice removed from those losses, so we have to wait until we can get some kind of indication from primary insurers as to what their losses will be," said Edmund Rondepierre, senior vp and general counsel for General Re Corp. in Stamford, Conn.

SCOR Reinsurance Co. won't know its losses for some time, said Jerome Karter, president and CEO of the New York firm. "It usually takes a week to get the first clues."

Many reinsurance executives offered few specifics but said the quake would be a minor loss for them. "It's not likely to be a major event for us," said Paul T. Hasse, CEO of Centre Cat Ltd. in Bermuda.

Other reinsurers did estimate their quake losses, which ranged from $1 million to $10 million.

Global Capital Reinsurance Ltd. expects "no more than $10 million, if that," said Larry Doyle, CEO of the Bermuda catastrophe facility.

NAC Reinsurance Corp. of Greenwich, Conn., foresees only "a few million dollars" in losses, said Paul Malvasio, vp and chief financial officer. Right now, NAC Re has retrocessional coverage for losses in excess of $5 million, he said, so even if that estimate is wrong, "the most it should hit us is $5 million."

At Transamerica Reinsurance Co., the loss is likely to be about $1 million, said Edwin M. Millette, president of the Stamford, Conn.-based company. "It may in fact be less than that."

Several factors are expected to hold down reinsurer losses.

Excess per-risk or pro rata reinsurance "will pick up a fair amount of this loss, especially on the commercial side," with the remainder being subject to cat covers, said Frank Wilkinson, executive vp for reinsurance intermediary E.W. Blanch Co. in Minneapolis.

For most primary insurers, the loss will be less than their contractual retention under catastrophe coverages, so the insurers will have to in a sense absorb the losses on a net basis, said Mr. Wilkinson.

Higher primary retentions also will hold down reinsurer losses.

"The impact to reinsurers will be negated by the higher retentions by the ceding companies, and the deductibles in California are quite substantial," said James Bryce, senior vp-underwriting for International Property Catastrophe Reinsurance Co. Ltd. of Bermuda.

"It's a small, small net loss" to the London market, predicted Michael Harris, underwriter for Lloyd's of London syndicate 952, which specializes in high-level catastrophe excess of loss reinsurance.

Besides, he said, a lot of catastrophe reinsurance left the London market during Jan. 1 renewals and is now placed in the Bermuda market.

Even though the quake was not expected to be a major insurance loss, it could spur demand for catastrophe coverage.

"Psychologically, it's sort of going to make a number of us come to the conclusion that the frequency and severity of catastrophes seen in the last four to five years is probably more typical of what we're going to see in the future, as opposed to the frequency and severity of the last 15 years," said Ajit Jain, president of the reinsurance division of Berkshire Hathaway Inc. in Stamford, Conn.

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Stacy Shapiro and Adrian Ladbury contributed to this report.

Garamendi says he'll police insurers

LOS ANGELES—California Insurance Commissioner John Garamendi said last week he intends to make sure that policyholders with earthquake damage get "full contract value" on their policies.

Mr. Garamendi said in an interview that the policyholder protection effort will involve an intensive consumer education campaign—including media ads and a hot line—"to inform them what their rights and options are."

"I would tell business consumers exactly the same things I tell homeowners: They should immediately file their claims and pursue all their options," Mr. Garamendi said.

"If they don't have earthquake insurance, they might have business interruption" or other kinds of property insurance that would cover their losses, he said.

"The second step is to carefully monitor the insurance companies" as well as monitoring policyholder complaints and carrying on investigations. As the department is "policing the industry," it will intervene when problems arise, he said.

"And the final step is we punish. We discipline those that are out of line. Consumers need to understand that the first commandment of this industry is 'Thou shalt pay as little and as late as possible.' Insurance companies can do this in thousands of ways and they do," the commissioner said.

Mr. Garamendi said he told President Clinton during his visit that because earthquake insurance is too expensive for most consumers, the federal government "must establish a natural disaster insurance program. We need to figure out how to write it well and do it well."

Jack Weber, executive director of the Washington-based Natural Disaster Coalition, said that a hearing on the House version of the Natural Disaster Protection Act, which would create a federal catastrophe reinsurance facility, had already been scheduled for this week when the quake struck.

Ironically, the quake may postpone the hearing because witnesses are on site in Los Angeles. A Senate hearing on its version of the measure took place late last year.

—By Louise Kertesz and Mark A. Hofmann

Property/casualty stocks unshaken by temblor

No one in Los Angeles slept through the earthquake, but the stock market sure did.

Despite insured damage estimates running in the $1.5 billion to $2 billion range, many property/casualty issues fell only a notch last week and then quickly regained their footing (see chart).

The market's ho-hum reaction indicates that the earthquake by itself will not turn the property/casualty market, said Steven A. Gavios, an insurance analyst at Kidder, Peabody & Co. in New York. "(It's) just another straw to be put on the camel's back."

Even if insured earthquake losses hit $3 billion, they would represent only a small portion of the industry's capital, explained Michael Smith, an insurance analyst with Lehman Bros. in New York. "When you get down to it, at the very end, it's not a very big hit to earnings."

Of course, when a catastrophe hits this early in the year, insurers do feel the pressure. "What (insurers) are saying is that they've got to live in an absolutely perfect world in the next 50 weeks to reach their earnings targets," said Mr. Smith.

Now insurers have no cushion, he explained. If another major loss occurred, they would fail to reach their earnings goals.

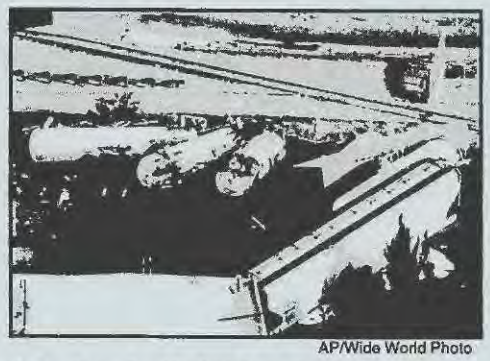
—By Judy Greenwald

Engineer of derailed train recalls quake's terror

LOS ANGELES—Among the most dramatic stories of the disaster is that of a Southern Pacific railroad crew en route from Houston to Roseville, Calif., during the earthquake.

The quake hit as the train, with four locomotives pulling 60 cars, passed through Northridge.

"Suddenly, all the lights in the area went out, like someone pulled a switch," said locomotive engineer Louie Cuilla. "Then, in our headlight, we saw the rail moving. When it hit us, we were doing about 30 miles an hour, and it just kind of exploded the engine up into the air, maybe three feet. The locomotive rolled over onto its left side and started sliding right toward a highway overpass. The other engines stayed on the track. I remember thinking, 'Oh, my gosh, if we hit the side of that overpass, it will shear the top off this engine.' But after sliding about 700 feet, we came to a stop without hitting anything," he said.



AP/Wide World Photo

A Southern Pacific freight train was derailed last week during the earthquake.

Twenty-five cars derailed, including 16 tanker cars carrying sulfuric acid, a Southern Pacific spokesman said. One leaked about 8,000 gallons of acid, which were later vacuumed up. Fortunately, Mr. Cuilla and conductor Fred Verna received only minor injuries.

The lead locomotive also leaked 3,000 gallons of diesel fuel.

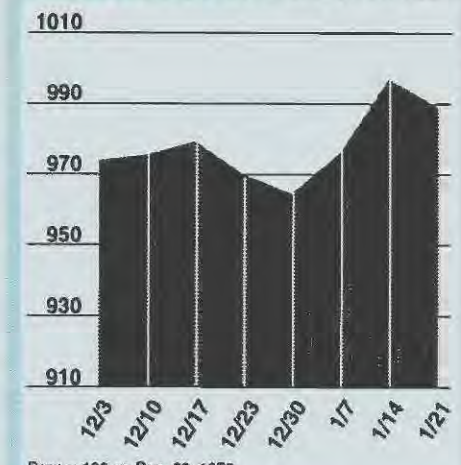
The railroad's equipment and track sustained "substantial damage—our initial estimates are in excess of half a million," for which Southern Pacific is self-insured, the spokesman said.

The railroad does not expect any liability claims. "It doesn't look like the kind of situation that would cause that. The spill was pretty much confined to our right of way" and did not extend to private property, he said.

The track, which is also used by Amtrak and Metrolink, reopened less than 48 hours after the quake.

—By Louise Kertesz

BI Insurance Index



Base = 100 on Dec. 29, 1978
Source: Nordby International Inc.

Insurance stocks fell last week, as the *Business Insurance* Index lost 5.4 points to 989.9 Jan. 21 from 995.3 on Jan. 17. Advancing issues for the week were led by: Alexander & Alexander, up 9.1%; TakeCare Inc., up 8.5%; and Sierra Health Services, up 8.0%. Declining issues for the week followed: Navigators Group, down 10.0%; Arthur J. Gallagher & Co., down 8.5%; and Baldwin & Lyons Inc., down 7.9%. The most active issue was U.S. Healthcare, 7.4 million shares traded. The *BI* Index fell 0.5%; the Dow Jones 30 Industrials gained 1.2%; the NYSE Composite rose 0.1%; and the Standard & Poor's 500 fell 0.04%.

British Issues

Jan. 20 Companies	Price pence	P/E	Div. pence	Yield %	1 week High—Low pence	pence
Comml Union	693	N/M	29.8	4.3	695—	675
Genl Accident	725	N/M	33.8	4.7	746—	725
Gdn Royal Exch	234	N/M	9.0	3.8	234—	228
Royal	329	N/M	8.0	2.4	329—	323
Sun Alliance	391	N/M	17.8	4.5	395—	387
Brokers						
Bradstock	154	17.3	6.9	4.5	156—	153
CE Heath	437	21.0	20.0	4.6	451—	428
Hogg Group	170	18.9*	10.4	6.1	170—	167
JIB Group	195	19.2	9.5	4.9	203—	184
Lloyd Thmpson	308	20.7	8.4	2.7	309—	306
Lowndes Lmbrt	457	16.5	16.8	3.7	457—	450
PWS Holdings	81	11.9	5.0	6.2	81—	80
Sedgwick Grp	196	23.5	7.5	3.8	199—	196
Steel Brl Jones	131	N/M	15.0	11.0	133—	131
Willis Corroon	235	22.0	8.3	3.5	237—	229

Source: Philip Olsen, London * Estimated

Deep freeze

Continued from page 2

offices were closed as Washington battled subzero temperatures for the first time in years.

The cold blast swooped as far south as Georgia, North Carolina and Tennessee.

The freezing weather escalated demand for electricity to levels that regional power authorities could not meet. As a result, the Pennsylvania-Jersey-Maryland Interconnection, a group of power companies that share electricity when necessary, imposed rotating blackouts on blocks of customers to conserve energy.

Philadelphia virtually shut down after lunch last Wednesday, with many businesses remaining closed on Thursday. Similar scenarios took place elsewhere throughout the Mid-Atlantic states.

However, insurers say businesses aren't expected to report much physical damage beyond frozen pipes, and thus will not be filing an abundance of costly business interruption claims.

"It will take a couple more weeks until our service centers report all claims, but so far we have nothing over $5,000," said a spokesman for St. Paul Insurance Cos., which insures primarily commercial risks. "But the severe weather pattern has been so widespread that the cumulative effect could be a large number of claims."

The Property Claim Services division of the American Insurance Services Group apparently believes claims will be plentiful. It has already designated the deep freeze Catastrophe No. 77, which means total insured damage will be $5 million or more, though PCS will have no estimate of insured losses until later this week at the earliest.

Meanwhile, III's Mr. Mooney said it is likely some insurers will pay more in freeze-related claims than in claims from the L.A. earthquake.

"It's going to be primarily a homeowners catastrophe. Business losses will be light, because they can't normally recover for shutting down due to weather or losing power temporarily. It's only the businesses with special endorsements that will file that type of claim," he said.

Insurers with significant exposures throughout the East and Midwest agreed that they will likely be hit with a fair number of residential, freeze-related claims.

"It's likely to grow into a significant catastrophe," said a spokesman for State Farm Insurance Group in Bloomington, Ill. "This deep freeze is so pronounced that any house or business that isn't properly insulated stands a good chance of getting hit."

The spokesman said the overwhelming majority of claims are personal lines claims for broken pipes and water damage. They average about $1,000 to $1,500 each. "But this is the type of thing that adds up, and then it's a real catastrophe," he said.

"The potential for major losses can only be based on the past. The 1989 freeze was quite bad, and this one is worse. It's straining our claims resources and will force us to call in independent adjusters because so many of our people are in Los Angeles" dealing with the earthquake, according to a spokesman for Aetna Casualty & Surety Co. in Hartford, Conn.

"Claims will definitely be dribbling in" over the next couple weeks, said a spokeswoman for USF&G Corp. in Baltimore. "Months from now we'll be seeing the claims for burst pipes. Fortunately, business interruption claims will be marginal."

Commercial claims will be less voluminous than residential claims, agreed a spokeswoman for ITT/Hartford Group Inc. "We're planning on frozen pipes and broken roofs—things of that nature," she said. "It remains to be seen whether damage is extensive enough for there to be a cumulative problem."

Risk managers at numerous companies throughout the affected regions of the country said the freeze has slowed business to a virtual standstill in some cases. However, because no actual damage has been caused by the icy weather, they will not be able to collect on insurance. BI

BI Industry Stock Report

JAN. 17, 1994 THROUGH JAN. 21, 1993

		Price	Weekly % change	Year to date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt./Bk. value
BROKERS												
Acordia Inc.	NYS	24.63	3.14	0.00	27.63	18.38	13	0.44	1.79	14	10.22	2.41
Alexander & Alexander	NYS	21.00	9.09	5.66	28.88	17.63	1066	1.00	4.76	38	6.73	3.12
E.W. Blanch Holdings Inc.	NYS	18.50	-1.99	6.47	23.50	16.50	11	0.32	1.73	18	4.10	4.51
Gallagher Arthur J. & Co.	NYS	31.00	-8.49	-13.29	37.38	25.50	480	0.72	2.32	16	7.52	4.12
Hilb, Rogal & Hamilton	NYS	12.50	1.01	-4.76	16.88	11.38	64	0.48	3.84	19	4.51	2.77
Marsh & McLennan	NYS	81.13	-1.82	-0.31	97.63	77.00	674	2.68	3.30	18	16.76	4.84
Poe & Brown	OTC	18.75	4.17	4.17	21.25	16.25	9	0.40	2.13	32	3.02	6.21
BROKERS	AVERAGE		0.7	-0.3					2.8	22		
INSURERS/REINSURERS												
ACE Ltd.	NYS	28.75	-4.17	-5.74	36.00	25.50	380	0.40	1.39	6	27.46	1.05
Acceptance Insurance Cos.	NYS	13.25	0.95	13.98	15.63	8.25	16	0.00	0.00	15	9.65	1.37
AEGON N.V.	NYS	54.75	-0.23	0.00	58.50	43.25	16	1.22	2.23	11	34.71	1.58
Aetna Life & Casualty	NYS	59.38	4.40	-1.45	66.25	43.38	1771	2.76	4.65	20	71.84	0.83
Allied Group Inc.	OTC	25.50	-2.86	2.00	32.75	21.00	88	0.52	2.04	7	10.45	2.44
Allmerica Prop. & Casualty	NYS	20.63	-1.79	-4.26	22.16	17.16	355	0.16	0.78	5	56.97	0.36
Allstate Corp.	NYS	28.88	-2.53	-2.94	34.25	27.13	1988	0.72	2.49	14	18.43	1.57
American General	NYS	29.50	2.16	3.51	36.50	26.25	1401	1.08	3.66	12	22.09	1.34
American Heritage Life Ins.	NYS	19.63	-0.63	5.37	25.34	17.25	20	0.60	3.06	13	12.42	1.58
American Indemnity/Fin'l	OTC	12.75	4.08	-1.92	16.25	7.75	93	0.12	0.94	4	16.18	0.79
American International	NYS	90.00	5.42	2.13	100.25	73.41	4525	0.40	0.44	15	45.25	1.99
American Re Corp.	NYS	29.75	-4.03	5.31	41.75	25.75	423	0.00	0.00	25	14.80	2.01
Aon Corp.	NYS	47.50	-0.78	-1.55	58.50	46.25	299	1.80	3.79	15	33.10	1.44
Argonaut Group	OTC	30.63	-1.21	0.41	35.50	28.75	113	1.00	3.27	9	27.65	1.11
AVEMCO Corp.	NYS	18.75	-3.85	0.00	25.50	16.75	14	0.44	2.35	16	8.13	2.31
Baldwin & Lyons Inc.	OTC	14.50	-7.94	-2.52	16.25	11.16	47	0.20	1.38	11	12.59	1.15
Berkley W.R. Corp.	OTC	34.00	2.26	3.82	50.50	32.00	589	0.40	1.18	13	28.12	1.21
Berkshire Hathaway Inc.	NYS	16300.00	-2.40	-0.15	17800.00	11800.00	0	0.00	0.00	43	8115.28	2.01
Chandler Insurance	OTC	5.63	2.27	2.27	5.88	3.50	13	0.00	0.00	13	8.87	0.63
Chubb Corp.	NYS	81.38	4.66	3.50	96.38	75.13	1751	1.72	2.11	19	46.59	1.75
CIGNA Corp.	NYS	68.75	7.42	8.70	68.75	56.50	1062	3.04	4.42	11	78.23	0.88
CNA Financial Corp.	NYS	78.25	0.32	-0.63	101.00	74.25	147	0.00	0.00	-15	77.92	1.00
Continental Corp.	NYS	27.63	1.38	0.00	34.63	24.38	526	1.00	3.62	12	38.99	0.71
EXEL Ltd.	NYS	42.50	-4.76	-5.56	52.25	42.25	471	1.20	2.82	6	33.81	1.26
Fremont General Corp.	NYS	23.88	-1.04	-1.04	28.75	21.00	268	0.72	3.02	8	23.40	1.02
Frontier Insurance Group	NYS	42.50	-2.30	-3.13	50.00	36.72	41	0.60	1.41	14	16.33	2.60
Gainsco Inc.	ASE	9.75	-3.70	8.33	17.69	8.25	123	0.04	0.41	13	3.49	2.79
General RE Corp.	NYS	108.13	3.47	1.76	133.38	102.50	1086	1.88	1.74	14	55.54	1.95
Guaranty National Corp.	NYS	18.00	-2.04	2.86	24.75	16.75	46	0.48	2.67	10	11.81	1.52
Harleysville Group	OTC	27.50	0.00	-3.51	32.75	22.63	22	0.64	2.33	14	18.35	1.50
Hartford Steam Boiler	NYS	48.38	-0.51	8.71	59.88	42.63	168	2.12	4.38	56	15.80	3.06
HCC Insurance Holdings	OTC	30.50	0.00	0.83	35.75	16.50	47	0.00	0.00	21	14.94	2.04
Home Holdings Inc.	NYS	17.38	-3.47	0.72	18.50	17.00	129	0.00	0.00	-	19.96	0.87
ITT (Hartford Group)	NYS	96.00	3.64	4.63	96.00	70.75	1328	1.96	2.04	-	57.11	1.68
Kemper Corp.	NYS	37.63	1.01	4.88	43.00	26.13	819	0.92	2.45	-9	38.98	0.97
Lawrence Insurance Group	ASE	3.88	6.90	6.90	8.25	3.25	4	0.00	0.00	-	4.26	0.91
Liberty Corp.	NYS	26.63	4.41	7.58	34.75	23.75	82	0.56	2.10	11	21.44	1.24
Lincoln National	NYS	41.13	-1.79	-4.36	48.25	34.69	879	1.64	3.99	9	32.53	1.26
Markel Corp.	OTC	40.50	0.62	5.19	40.50	32.25	35	0.00	0.00	11	24.68	1.64
Mid Ocean Ltd.	OTC	25.50	-6.85	-9.73	34.75	25.00	1162	0.00	0.00	14	20.24	1.26
Mutual Risk Mgmt. Ltd.	NYS	28.25	2.73	-5.83	32.75	21.16	107	0.28	0.99	20	5.71	4.95
NAC Re Corp.	OTC	29.88	-0.42	2.58	44.75	27.50	436	0.16	0.54	16	19.24	1.55
National Re Corp.	NYS	28.50	0.44	-6.94	39.63	27.50	156	0.12	0.42	9	16.89	1.69
Navigators Group	OTC	31.50	-10.00	-10.00	39.00	28.50	11	0.00	0.00	18	16.99	1.85
Nobel Insurance LTD.	OTC	8.06	-3.01	5.74	8.44	6.13	96	0.00	0.00	3	6.84	1.18
NWNL Companies	NYS	33.00	-0.38	1.54	38.75	26.50	1839	0.80	2.42	13	23.97	1.38
Ohio Casualty Corp.	OTC	64.25	-0.39	0.39	72.00	57.63	241	2.84	4.42	11	47.66	1.35
Old Republic Int'l	NYS	22.75	1.11	1.11	27.63	21.50	431	0.44	1.93	9	23.57	0.97
Orion Capital Corp.	NYS	32.38	-3.00	4.86	37.50	28.63	171	0.72	2.22	9	25.56	1.27
Phoenix RE Corp.	OTC	26.00	1.96	-5.45	38.25	19.63	367	0.28	1.08	-	19.99	1.30
Provident Life	NYS	30.00	-1.64	-5.14	31.88	25.63	245	1.04	3.47	-10	26.38	1.14
Re Capital Corp.	OTC	14.25	1.79	4.59	16.25	13.25	30	0.28	1.96	15	16.88	0.84
Reliance Group Holdings	NYS	7.38	-6.35	-4.84	10.38	5.63	772	0.32	4.34	3	4.22	1.75
RLI Corp.	NYS	26.75	-2.28	0.00	28.63	24.13	72	0.56	2.09	13	22.91	1.17
St. Paul Companies	NYS	88.75	3.35	-1.11	98.00	75.00	283	2.60	3.15	-40	57.84	1.53
SAFECO Corp.	OTC	55.75	3.00	2.06	66.75	51.88	935	1.80	3.23	10	41.59	1.34
SCOR U.S. Corp.	NYS	12.25	-4.85	-2.97	20.75	12.25	190	0.32	2.61	19	16.08	0.76
Selbels Bruce Group	OTC	1.63	-3.73	-7.14	2.13	0.31	465	0.00	0.00	-1	1.90	0.86
Selective Ins. Group	OTC	29.13	-4.12	-3.72	31.00	20.50	60	1.12	3.85	20	23.11	1.26
Sphere Drake Holdings	NYS	18.00	0.70	9.09	21.63	15.50	62	0.12	0.67	19	N.A.	N.A.
Statesman Group Inc.	NYS	13.88	2.78	11.00	15.72	9.75	158	0.10	0.72	6	8.65	1.60
TIG Holdings	NYS	22.13	-0.56	-2.21	28.00	20.25	811	0.20	0.90	-9	18.49	1.20
Tokio Marine & Fire	OTC	55.38	-1.34	2.55	67.00	46.63	29	0.37	0.67	36	57.72	0.96
Torchmark Corp.	NYS	46.00	1.38	2.79	64.75	41.13	686	1.12	2.43	13	17.35	2.35
Transatlantic Holdings	NYS	53.25	1.43	-0.23	61.50	49.00	89	0.36	0.68	14	29.60	1.80
Travelers Corp.	NYS	31.13	0.00	2.05	38.88	23.75	0	1.60	5.14	-8	33.35	0.93
Trenwick Group Inc.	OTC	37.13	0.34	-4.19	49.75	37.13	130	0.88	2.37	11	26.00	1.43
United Fire & Casualty	OTC	36.00	0.00	0.00	42.75	34.75	2	1.08	3.00	-	28.96	1.24
Unitrin	OTC	42.50	1.80	0.00	46.75	39.00	122	1.40	3.29	23	38.90	1.09
UNUM Corp.	NYS	50.25	-4.96	-4.29	60.13	47.75	1179	0.80	1.59	13	27.55	1.82
US Facilities Corp.	OTC	10.75	-4.44	-9.47	14.00	6.50	144	0.00	0.00	10	10.48	1.03
USF&G Corp.	NYS	14.13	-5.83	-6.61	19.63	12.38	1071	0.20	1.42	-	10.60	1.33
USLICO Corp.	NYS	16.63	-1.48	0.76	19.88	15.00	30	0.24	1.44	-6	25.22	0.66
USLIFE Corp.	NYS	38.25	-0.33	-1.29	45.75	35.75	117	1.24	3.24	11	41.73	0.92
Washington National	NYS	23.75	-2.56	-2.06	28.00	21.75	41	1.08	4.55	10	28.40	0.84
Zenith National Ins.	NYS	23.13	2.21	4.52	29.25	21.25	58	1.00	4.32	11	17.71	1.31
Zurich Reinsurance Centr.	NYS	26.75	0.47	-5.31	36.38	26.25	154	0.00	0.00	-	24.41	1.10
INSURERS/REINSURERS	AVERAGE			-0.5	0.4				2.0	10.2		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	OTC	26.75	-7.36	2.88	30.00	18.25	1668	0.00	0.00	18	11.43	2.34
Pacificare Health Sys.	OTC	43.75	1.16	15.89	57.50	25.50	460	0.00	0.00	19	11.15	3.92
Safeguard Health Enter.	OTC	14.25	-3.39	14.00	15.00	7.75	26	0.00	0.00	17	5.71	2.50
Sierra Health Services	ASE	27.00	8.00	21.35	27.00	11.50	392	0.00	0.00	20	4.60	5.87
TakeCare Inc.	OTC	63.88	8.49	17.20	63.88	25.75	1532	0.00	0.00	22	18.69	3.42
United Healthcare Corp.	NYS	63.38	3.89	11.54	63.38	40.00	1727	0.00	0.00	38	10.64	7.84
U.S. Healthcare	OTC	62.38	3.31	8.48	64.00	36.75	7415	0.64	1.03	25	6.21	10.04
Wellpoint Health Networks	NYS	32.88	-1.13	6.48	39.75	23.00	762	0.00	0.00	19	10.94	-
HMOs	AVERAGE			1.6	12.2				0.1	20		
ALL COMPANIES	AVERAGE			0.6	4.1				2.2	14		

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