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Updates

Employers seek court review of OSHA compliance program

WASHINGTON—Four employer groups have asked a federal appeals court to "review" the Occupational Safety and Health Administration's new cooperative compliance program.

The U.S. Chamber of Commerce, the National Assn. of Manufacturers, the American Trucking Assns. and the Food Marketing Institute hold that while OSHA considers the program an "instruction," it is "really a rule. They're trying to pass a regulation without going through the proper notice and comment procedures, so the public doesn't have an opportunity to re-

See **Updates** *on next page*

Deal expands St. Paul's reach

By JUDY GREENWALD

ST. PAUL, Minn.—The St. Paul Cos. Inc.'s proposed $2.8 billion merger with USF&G Corp. would create the nation's eighth-largest property/casualty insurer and a formidable competitor in several specialty lines.

While the deal is not expected to significantly affect either insurer's large corporate clients, it will strengthen St. Paul's reinsurance, construction and surety businesses, among other specialties. Both companies are particularly strong in the middle-market commercial business segment.

Additionally, the combination will expand St. Paul's presence far beyond its Midwestern base.

However, St. Paul also may face at least some short-term integration problems in swallowing a company the size of USF&G.

This union may spark more mergers among property/casualty insurers, insurance analysts say. The primary insurance industry still has a long way to go, they say, before it approaches the degree of concentration seen in the industry's reinsurance and brokerage segments.

The St. Paul/USF&G deal, expected to close at midyear pending necessary shareholder and regulatory approvals, essentially will be a stock transaction, with each USF&G share converted into $22 worth of St. Paul common stock, subject to an exchange ratio adjustment, the companies said. St. Paul's stock closed Friday at $87.88, while USF&G's shares closed at $24.13.

In addition to the $2.8 billion in equity, the deal also calls for St. Paul's assumption of about $400 million in debt and $300 million in capital securities.

Douglas W. Leatherdale will continue as St. Paul's chairman, president and chief executive officer, and the combined company will continue to use the St. Paul name and maintain its Minnesota headquarters.

See **St. Paul** *on page 20*

Industry mergers continue

The merger of The St. Paul Cos. Inc. and USF&G Corp. will create the nation's eighth-largest property/casualty insurer

Based on P/C results for the first nine months of 1997

	Net premiums written	Net income	Combined ratio	Policyholder surplus
The St. Paul	$3.4 billion	$586.2 million	105.6	$3.33 billion
USF&G	$1.93 billion	$139.8 million	102.7	$1.5 billion
Combined	$5.33 billion	$726 million		$4.83 billion

The combined companies' estimated premium volume breakdown

- 5% International
- 35% Specialty commercial
- 22% Standard commercial lines
- 20% Personal lines
- 18% Reinsurance

The St Paul & USF&G

Sources: *BI* survey and Bernstein Research

GRAPHIC BY MIKE GARVEY

New regulation seeks to protect policyholders

By SARAH GODDARD

LONDON—Lloyd's of London policyholders would have the same regulatory protections as policyholders of other U.K. insurers under sweeping reform proposals announced last week by the government.

The U.K. government plans to subject Lloyd's to the same regulation as the rest of the insurance market and will publish draft legislation in the summer. The plan would then require the approval of Parliament.

LLOYD'S

A Lloyd's official said the proposal is what the market had expected, after the government outlined its goals for financial services reform last May. The proposal also coincided with the release of a Lloyd's report on the state of its efforts to improve regulation.

In answer to a question from a member of Parliament, Economic Secretary Helen Liddell said she intended to give the proposed Financial Services Authority "extensive supervisory powers" over Lloyd's as part of the government's drive to modernize Britain's financial services regulation.

In addition to requiring the registration of Lloyd's members and managing agents, Ms. Liddell said the proposed legislation also would give the FSA power to authorize and oversee Lloyd's capital providers, "should that prove to be appropriate in due course."

In addition, she said that the FSA, which will be an enlarged version of the Securities and Investments Board plus eight other regulatory bodies, would su-

See **Lloyd's** *on page 6*

Businesses unite to fight health care proposals

By JERRY GEISEL

WASHINGTON—Business groups are launching an aggressive campaign to fight health care proposals they say would drive up premiums and force employers to reduce benefits or drop plans.

Thirty-one employer and insurer groups have banded together to form the Health Benefits Coalition. The coalition initially will spend more than $1 million on print advertising to educate the public and legislators on the damage its members think the so-called consumer-protection measures would wreak on the health care system.

One of the ads unveiled last week carries a "message for Washington: 'Don't raise our health care costs.'" The ads will appear in major Washington-area publications and in selected congressional districts.

Coalition members say it is the largest business group effort ever assembled to fight health care legislation. Employers and insurers led the opposition to President Clinton's failed health care reform effort in 1993-1994, with the Health Insurance Assn. of America spending the most money—$15 million—on ads that helped turn public opinion against the idea.

The National Assn. of Manufacturers, the National Federation of Independent Business, the U.S. Chamber of Commerce, the ERISA Industry Committee and the Assn. of Private Pension & Welfare Plans, and insurer organizations such as the HIAA and Blue Cross & Blue Shield Assn., say support for the measures will erode—but only under the intense glare of publicity.

"We want to make the public and legislators more aware of the adverse consequences of the bills," added George Pantos, Washington counsel for the Self-Insurance Institute of America.

The bill's chief sponsor is ready to talk to coalition members, an aide says.

"Our door is open to discussions. We welcome constructive suggestions," said an aide to Rep. Norwood.

Coalition members are especially

See **PARCA** *on page 11*

RIMS lobbyists take aim

State, federal agendas remain similar

By MARK A. HOFMANN

NEW YORK—The Risk & Insurance Management Society Inc. is tightening the focus of its state legislative and regulatory efforts as state legislatures convene across the nation.

RIMS has chosen to target its efforts on eight states because, "for the most part, it's where the most is happening; for a couple of states, it's where we have the most active membership," said Anne Allen, assistant director-government affairs.

She added that RIMS also thought it was spreading itself "a little too thin" in the past by not concentrating on selected states.

RIMS' federal legislative agenda looks much like it has in recent years, pointed out Paul Brown, director-government and legal affairs for RIMS in New York.

"For the most part, there's not much new on the horizon. We will continue to follow developments in product liability reform, Superfund reform and OSHA reform," said Mr. Brown.

Mr. Brown noted that RIMS has not taken an active role in the debate over whether the federal government should make insurance against natural disaster more available, because bills now before

See **RIMS** *on page 22*

RIMS' state priorities for 1998

GRAPHIC BY ADAM DOI

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NEWSPAPER

Updates

Groups fight OSHA program

Continued from previous page

view it and comment," said Sussan Mahallati, labor counsel for the National Chamber Litigation Center Inc., which handles litigation for the Chamber of Commerce.

The groups' petition, filed last week with the U.S. Court of Appeals for the District of Columbia Circuit, seeks review of the program. By agreeing to review the program, a judge would not automatically stay the program from being carried out.

The CCP, unveiled in November, targets what OSHA sees as the nation's least safe workplaces (*BI*, Dec. 1, 1997). Employers that agree to participate could avoid comprehensive OSHA inspections by making a top-down commitment to safety, including implementation of formal health and safety plans.

Critics said the program unfairly targets employers with a high frequency of injuries, rather than those with injury severity problems.

"Parts of the program require employers to implement ergonomics and health and safety standards that are above and beyond what are required by law," added Ms. Mahallati.

Ms. Mahallati said OSHA already has sent letters to 14,000 businesses and given these businesses an opportunity to participate in the program. "It's really not a cooperative program; it's a coercive program, because if they decide not to sign on, they automatically get a wall-to- wall inspection because they are on the priority list."

She added that the Chamber had asked OSHA last week to stay the instruction until the appeals court had reviewed it.

A spokesman for OSHA said Friday that the agency intended to respond to the Chamber's request today.

"Our solicitors are currently reviewing the U.S. Chamber of Commerce's request and are considering how best to respond. But we are committed to the CCP program because it helps us stretch our limited resources and lower injury and illness rates in the workplace," the spokesman said, adding that OSHA did not have a comment at the time on the petition filed in the appeals court.

M&M buys Kirke-Van Orsdel

NEW YORK—Marsh & McLennan Cos. Inc. will purchase Kirke-Van Orsdel Inc., a major West Des Moines, Iowa, insurance broker and third-party claims administrator and combine the insurance-related functions with M&M's Seabury & Smith Inc. unit.

As part of the transaction, M&M also will acquire the 49% interest Kirke-Van Orsdel holds in J&H/KVI, a venture Kirke-Van Orsdel and Johnson & Higgins launched in 1984 to administer group universal life programs and which has since significantly expanded into benefit and other human resource outsourcing. J&H's 51% ownership in J&H/KVI was assumed by M&M last year as part of its purchase of J&H.

Seabury & Smith will assume J&H/KVI's group universal life, long-term care and long-term disability business, while J&H/KVI's HR and benefit outsourcing operations will be transferred to Automatic Data Processing Inc. Last year, M&M unit William M. Mercer Inc. transferred much of its benefit outsourcing business to ADP as part of a strategic alliance.

Terms of the transaction were not disclosed. Combined, Kirke Van-Orsdel and J&H/KVI have annual revenues of about $180 million and about 1,800 employees and have about 750 clients. No layoffs are expected as part of the purchase.

CIAB, NAIB explore merger

WASHINGTON—The Council of Insurance Agents & Brokers and the National Assn. of Insurance Brokers have held "exploratory" meetings that could result in a merger of the two Washington-based producer organizations.

"The benefit for both of us is a bigger, stronger, louder voice in Washington and in the states. The insurance industry is very large and very fragmented, so to the extent that we can reduce the fragmentation when it comes to legislative affairs, I think we all can benefit," said Jane Hill Fleming, chairman of the NAIB and senior vp of Sedgwick Inc. in Nashville, Tenn.

"There will be a lot of value speaking with one voice in Washington," agreed John C. Adams Jr., chairman of the Council and executive vp of Glen Allen, Va.-based Hilb, Rogal & Hamilton Co. and chief executive of its Florida operations in Daytona Beach.

The NAIB has 26 broker members, and the Council has about 260 members consisting of brokers and large insurance agencies.

Mr. Adams said that while "nothing is cast in concrete, we view the probability as pretty strong that we'll be able to find a way to get together," with a tentative target date of July 1 for deciding. Both he and Ms. Hill Fleming noted there is already considerable cross-membership between the two organizations.

Both chairmen also emphasized that no matter what decision is made, their respective 1998 annual meetings will take place as planned.

High court passes on ADA case

WASHINGTON—The U.S. Supreme Court last week declined to decide if capping benefits for mental illnesses in employer-sponsored

See **Updates** *on page 22*

Errors & omissions

• Insured loss estimates calculated by the Property Claim Services division of the American Insurance Services Group include business interruption losses. A Jan. 19 article incorrectly said they did not.

• An item in the Jan. 19 issue incorrectly identified Sorema N.A. as the reinsurer from which Trenwick Group Inc. is buying a U.K. subsidiary. Sorema S.A., not its North American subsidiary, agreed to sell Sorema U.K. Group Ltd.

State Farm may start trend with Ford lawsuit

By RODD ZOLKOS

A suit State Farm Mutual Automobile Insurance Co. filed against Ford Motor Co. seeking to recover millions of dollars the insurer paid in auto fire claims is unusual but might signal a trend, some attorneys say.

The State Farm suit, filed last week in federal district court in Los Angeles, stems from auto fires the insurer says were caused by a faulty ignition switch.

The nation's largest auto insurer alleges Dearborn, Mich.-based Ford and the switch's manufacturer, the United Technologies Automotive unit of Hartford, Conn.-based United Technologies Corp., concealed from consumers

and federal regulators the defect in 26 million cars built from 1983 to 1993. United Technologies Automotive also is named in the suit.

Ford, which recalled 8.7 million vehicles to correct the problem, has denied any wrongdoing.The automaker said in a statement that the company would "defend itself vigorously against these sweeping charges which are baseless and without merit."

Bloomington, Ill.-based State Farm says the amount it ultimately seeks to recover could approach $200 million.

"That figure. . .relates solely to claims that we paid for fires involving Ford vehicles from '88 to '96," a State Farm spokesman said.

State Farm has identified 80 vehicle fire claims in California it says were caused by the faulty ignition switch for which the insurer paid out $440,000. It is collecting information on similar claims

See **Ford** *on page 22*

Political risk market grows

By MICHAEL PRINCE

NEW YORK—Political risk insurance capacity and the number of insurers willing to write the coverage will continue to grow, two insurance executives say.

Capacity "has grown considerably," in the past few years, said Kenneth Horne, a vp at J&H Marsh & McLennan Inc. in New York. "All indications are it will continue to grow," he added.

An increase in foreign investment has created the demand for greater capacity, noted William Mulligan, vp of AIG Global Trade & Political Risk Co. in New York, a political risk insurer formed in 1995.

In the past few years, new entrants to the field include Sovereign Risk Insurance Ltd., a venture formed by ACE Insurance Co., X.L. Insurance Co. and Risk Capital Reinsurance Co.; Zurich-American; and Mr. Mulligan's unit of American International Group Inc.

The addition of these insurers has driven up the capacity in the private sector to more than $700 million today from $300 million three years ago, Mr. Horne said. In addition to the private sector, the government-backed Overseas Private Investment Corp. provides political risk insurance to U.S. companies in selected countries. OPIC wrote $16.5 billion in premium during its 1996 fiscal year.

Capacity has not caused rates to drop, Mr. Horne said. Insurance rates for risks in Brazil and China in particular are holding firm because of high demand for coverage in those countries, he said.

The two executives spoke last week at a seminar sponsored by the New York Chapter of the Risk

See **Political** *on page 20*

Home bondholders agree to compromise rather than risk it all

By GAVIN SOUTER

NEW YORK—The precarious financial condition of The Home Insurance Co. is the main reason bondholders of its holding company settled for an estimated 40% of the nominal value of the bonds.

Bondholders wanted to secure a deal worth 25 cents on the dollar, with the possibility of limited further payments now, rather than risk receiving nothing later.

The possible future liquidation of The Home or the unwillingness of regulators to allow the defunct insurer to pay interest and capital payments to bondholders helped bring the bondholders to the negotiating table, said a lawyer representing several large bondholders.

The plan, announced earlier this month, should also provide The Home more money to pay policyholder claims, say the plan's proponents.

And Zurich Insurance Group, which had previously provided reinsurance to support bondholder payments, also will likely save money as a result of the plan.

But the plan still needs to be approved by other bondholders not involved in the negotiations before it can be acted on. And policyholders of The Home who are suing Zurich in an effort to have it stand behind The Home's liabilities also could file objections to the plan.

Home Holdings Inc. entered voluntary Chapter 11 bankruptcy protection on Jan. 15 (*BI*, Jan. 19).

Under the deal, bondholders will receive new notes worth about $70 million, which would be bought by Zurich Centre Group. The bondholders, Trygg Hansa SPP Group and The Home

See **The Home** *on page 4*

Deadline nears for consultant directory

Business Insurance will publish its annual Directory of Risk Management Consultants in the March 16 issue, which also will feature a Spotlight report on Risk Management Services.

The directory is published as an editorial service, and there is no charge to be included. Companies simply must submit a completed *BI* questionnaire by the deadline of Feb. 6.

If your organization generates at least $100,000 in revenue from risk management consulting and has not yet received a directory questionnaire, please request one by calling Assistant Directory Editor Matt Scroggins at 312-649-5483.

Inside

• Risk managers must look out not only for themselves but also for their vendors to ensure Year 2000 compliance, one of this week's editorials says. **PAGE 8**

• Workers compensation awards vary widely among judicial districts in Tennessee, a finding that has prompted further study. **PAGE 16**

Departments

Advertiser Index 20
Books & Ideas 14
Classifieds 18
Comings & Goings 10
Commentary 21
Datebook 21
Insurance Services Guide 16
International 17
Legal Briefs 14
Opinions 8
Perspectives 13
Products & Services 16
Ticker 23

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Worker knowledge low on key health issues

Almost half say employers 'do nothing' to improve education: Study

By ROBERT KAZEL

U.S. workers know less than they should about chronic health conditions, and their employers appear to be making little effort to educate them, a new survey says.

Workers are even less informed about crucial health issues now than in 1993, when Philadelphia-based Intracorp, the sponsor of the study, commissioned a similar survey.

The study, which found 44% of employees reported their employers "do nothing" in health education, urged employers to seize the opportunity to design new health communication programs to save money and improve workers' lives.

Less than 15% of employers distribute health information or sponsor exercise programs or onsite health seminars, the study found.

The survey was conducted by The Gallup Organization; names were chosen randomly from a database of workers with employer-sponsored insurance.

Eight hundred people were interviewed by telephone. Respondents averaged about 44 years old and were more likely to work for companies with 1,000 or more employees.

Although most of the respondents reported feeling healthy and being health-conscious, answers to medical questions reveal dangerous gaps in their health knowledge.

For example:

• Forty-nine percent thought their blood pressure readings were normal when actually they were high, and 21% thought their cholesterol readings were normal when actually they were high.

• Twenty-seven percent didn't know how to reduce the risk of diabetes.

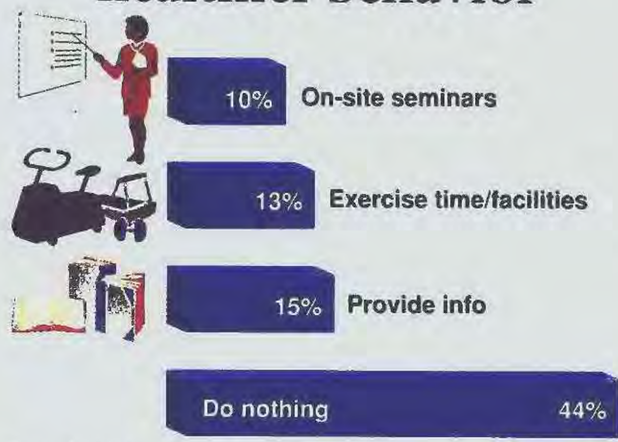
• Thirty-nine percent of women knew 40 is the age when women generally are advised to get their first mammogram.

• Fewer than one out of five male employees knew experts recommend prostate cancer screenings at age 50.

The report said the power of employers to teach basic health to workers is most urgent in the case of chronic conditions: chronic back pain, arthritis, asthma, diabetes, high blood pressure and heart disease.

It is with these maladies that medical intervention can alleviate much

See Intracorp on page 6



GRAPHIC BY ADAM DO

Liability grows with technology

By RODD ZOLKOS

CHICAGO—The evolution of information technology companies from simple code creators to complex multimedia operations is generating a host of new liability exposures.

Complicating the picture further is the still-developing interpretation of the law as it relates to "cyber-business," members of Chubb & Son Inc.'s Technology Insurance Group said earlier this month at a seminar outlining the company's new multimedia liability insurance product for Chicago-area agents and brokers.

"If something is stolen (in cyberspace), has it been stolen? It's just been read by somebody else," asked Thomas R. Cornwell, a vp in Chubb's Technology Insurance Group in Warren, N.J.

"All of a sudden we go from trying to protect some physical asset, where the number of people who can gain access is relatively small, to the whole world has access because we have an Internet site," Mr. Cornwell said. "How do we deal with that? We're grappling with the issue."

"Pretty clearly as we move forward the bricks and mortar are going to become less valuable, because everything is becoming service-based," he said. Meanwhile, he suggested, intellectual property will become ever more valuable.

See Exposures on page 10

Insurers try to gain altitude

But airlines still find rate cuts in all lines of aviation market

By DAVE LENCKUS

Aviation underwriters hope to stabilize rates later this year, but overcapacity could propel another yearlong descent in rates for airlines worldwide.

Airlines that renew their liability and all-risk hull programs this spring can expect overall rate reductions of 10% to 15%, market executives say. That would bring their programs in line with those that renewed late last year.

After the spring renewals, market executives expect a dogfight between market forces to determine whether rates will level off or continue to fall throughout the year. On one side are the soft-market pressures of overcapacity and a yearning for improved market share. On the other side is aviation insurers' objective to stabilize rates so underwriters can earn the profit that appears to have eluded them last year.

Crashes since early December—including those in Indonesia, Bangladesh, Turkey and Pakistan—will not significantly influence rates in the market, brokers and underwriters said.

But, history shows the market could "turn on a dime" if there is a spate of large losses, observed Jerry Frick, managing director and chairman of U.S. aviation operations for J&H Marsh & McLennan Inc.

"It remains a volatile market," Mr. Frick said. Airline risk managers who renew in the fourth quarter should not "budget for a significant—or any—reduction until you get closer to renewals," he advised. "I would not guarantee my CFO I'll get a reduction on fourth-quarter renewals."

Mr. Frick expects that risk managers who renew late in the year will have a

See Aviation on page 10

Soft market to end by '99: Broker

By SALLY ROBERTS

The soft property/casualty insurance rates that risk managers have enjoyed over the past 10 years will finally bottom out by 1999, a broker predicts.

The trend among insurers in recent years to remove redundancies from prior-year accident reserves—in most cases adding them to environmental and asbestos reserves—will result in reserve deficiencies and, therefore, prompt them to slowly raise prices, according to Willis Corroon Corp.'s fourth annual "Insurance Market Forecast."

"We believe the industry will be booking gradually increasing calendar-year loss ratios, while for the next two to three years the actual accident-year loss ratios will be increasing faster than those loss ratios indicated in financial statements," the Nashville, Tenn.-based broker said in the report.

"We expect that beginning late in 1998 or in 1999, pressure will begin to increase reserve levels, which will in turn begin to build pressure to curb competition and then slowly raise prices," the report states.

In the near term, Willis predicts property/casualty insurance rates in all major lines will continue to drop in 1998. It points to the financial strength and excess capacity in the industry as two of the most important factors driving price competition.

Not only did the industry not suffer any significant catastrophes in 1997, but competitors also are entering new geographical areas and new lines; consolidation continues to run rampant throughout the industry; and policyholder surplus is growing much faster than net written premium or loss reserves, the report said.

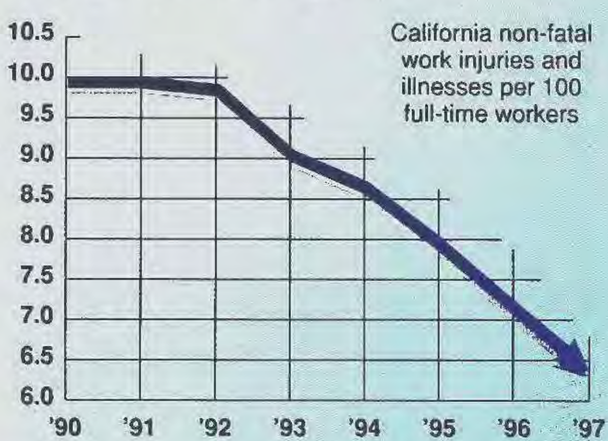
Indeed, the industry's record earnings and capital generation in 1997 are prolonging the current soft pricing environment, according to a concurring report.

A.M. Best Co. reports that the commercial property/casualty insurance industry's 1997 combined ratio improved five points to an estimated 103.8% and that surplus grew nearly 15% to $124.9 billion.

Net income for 1997 is estimated at $16.6 billion, which would be a 61.2% increase over 1996 profits of $10.3 billion.

The Oldwick, N.J.-based rating agency attributes the industry's 1997 overall im-

See Forecast on page 11



GRAPHIC BY JOHN HALL

State's work comp claims drop

But some California employers say average claim cost has risen

By JOANNE WOJCIK

SAN FRANCISCO—Workers compensation claims frequency is down in California despite a rise in employment that many employers feared would bring a rash of new work-injury claims.

But while frequency may be down, some employers are reporting that average workers comp claim costs have begun to surge in the past couple years, according to the California Workers Compensation Institute.

"Anecdotally, our members say claims costs have begun to spike upward, but we have no hard empirical data to back this up," said Mark Miller, assistant vp of research for the San Francisco-based CWCI, a private organization whose members are self-insured employers and insurers.

The institute's claim-monitoring study, which will be released in mid-summer, will review claims costs for the 1995 and 1996 policy years. In the meantime, the CWCI has interpreted data released earlier this month by the state Division of Labor Statistics and Research.

According to the Labor Division's annual Nonfatal Occupational Illness and Injury Census, California employers reported 7.1 non-fatal work injuries and illnesses per 100 full-time workers in 1996, down 10.1% from the 1995 rate. The 1996 frequency is 28.3% below the peak of 9.9 injuries per 100 workers reported in 1990 and 1991.

The most notable improvement was in the private sector, where employers reported 6.6 cases per 100 workers, down 10.8% from 7.4 injuries per 100 workers in 1995.

The rate among local government workers, including police, firefighters and other safety personnel, fell

See Claims on page 20

The Home

Continued from page 2

also would receive earn out notes that will pay dividends relating to the tax advantages from the net operating loss of Home Holdings, which itself will be owned by Zurich.

Zurich also will benefit from the tax advantages but has committed to redirect that cash to The Home if it is needed to pay policyholder claims, said Louis Feldman, vp at New York-based Zurich Centre.

The plan will replace the existing reinsurance program that was put in place by Zurich when it took over the profitable business of The Home in a 1995 deal. That transaction included a $1.3 billion reinsurance contract provided by Zurich but the contract offered no guarantee that Zurich would pay any claims if the reinsurance were exhausted.

Under that plan, Zurich guaranteed to pay bondholders of Home Holdings up to $290 million, but only after the assets of The Home were exhausted.

The Home funded payments to the bondholders through dividend payments to the insurer's holding company.

However, the bondholders were concerned about the prospects of receiving future payments when The Home fell nearly $552 million short of its authorized risk-based capital requirements and was placed under formal supervision by regulators (*BI*, March 10, 1997).

With biannual $11.6 million interest payments and a $100 million principal payment due in December 1998, bondholders were concerned that The Home might go into liquidation or that regulators supervising the runoff would not permit large payments to creditors of The Home other than policyholders, said Anthony Princi, a partner at Anderson, Kill & Olick P.C. in New York who represents a committee of the bondholders.

"If The Home was to go into liquidation, the odds of us getting any dividend payments to bondholders were somewhere between slim and none," according to Mr. Princi.

The proposed deal also will enable The Home to get on with its runoff without the continual drag of bondholder payments and the possibility of an uncontrolled bankruptcy of Home Holdings if the company does not make the dividend payments, according to Nicholas Williams, a partner at White & Case in New York. The law firm represents the New Hampshire Insurance Commissioner, who is supervising the runoff of The Home.

The deal will let The Home get on with its runoff without the drag of bondholder payments and the possibility of an uncontrolled bankruptcy of Home Holdings, says Nicholas Williams.

"If the plan had not been filed, we would have had the unfortunate prospect of Home Holdings bondholders periodically beating their drums for Home dividends and, upon any failure to receive those dividends, the likelihood of an involuntary and uncontrolled bankruptcy of the holding company. We don't believe that this would be good for anybody," he said.

In fact, all of the parties connected with The Home will benefit under the proposal, said Mr. Feldman of Zurich Centre.

"It is a good deal for The Home, it's creditors, Zurich Centre Group and the policyholders," said Mr. Feldman

The Home will have more money available to pay policyholder claims, bondholders will have the certainty of receiving 25 cents on the dollar of the nominal value of the bonds with the potential to receive more, and Zurich Centre will lower is potential reinsurance commitment and may receive some of the Home Holdings tax advantages.

Still, some large policyholders of The Home assert that Zurich should do even more for policyholders and stand behind the liabilities of The Home.

A group of policyholders, including ITT Corp., Sara Lee Corp. and Whitman Corp., represented by law firm Zevnik, Horton, Guibord, McGovern, Palmer & Fognani in Washington contend that Zurich is the "alter ego" of The Home and should be made to pay its claims if The Home runs out of assets.

The policyholders say that by taking over the good business of The Home, Zurich effectively took over the assets of the insurer and therefore it should not be allowed to walk away from the liabilities. The policyholder lawyers could not be reached for further comment.

The policyholder assertions in the "handful" of lawsuits filed are groundless and will not be affected by the new bondholder deal, said Mr. Feldman of Zurich Centre.

"In my opinion there is virtually no foundation in law or fact for those lawsuits, but laying that aside, there is nothing in this transaction that brings Zurich any closer to The Home," Mr. Feldman said.

Zurich would not have gone through with the deal in 1995 if there had been any question about the company taking on the old liabilities of The Home, said Steve Germain, general counsel at Zurich Centre.

And the deal itself, while not guaranteeing all payments to policyholders, was the best offer available to regulators and policyholders at the time, he said.

"What is sometimes lost in discussions about The Home is that policyholders are much better off under the Zurich transaction," Mr. Germain said

If the original deal had not been approved, The Home policyholders would have only been able to access the limited resources of The Home, he said.

The Zurich deal trumped a December 1994 bid for Home Holdings by John J. Byrne and Fund American that proposed to invest $630 million in the group (*BI*, Dec. 12, 1994). But that deal was less favorable to Home Holdings' shareholders and fell apart five months before regulators finally approved the Zurich deal in June 1995.

Since The Home went into runoff, its reserves have deteriorated by about $1.2 billion. BI

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Lloyd's

Continued from page 1

pervise capacity auctions, at which members can buy and sell stakes in Lloyd's syndicates.

"I intend that the FSA should oversee the operation of the market under a regime similar to that currently in place for recognized investment exchanges," she said.

Ms. Liddell's announcement expanded on a statement by Chancellor Gordon Brown last May, in which he outlined a new regulatory regime for the U.K. financial services industry (*BI*, May 16, 1997).

The government's proposals included extending the powers of the FSA, making the Bank of England accountable to it, and bringing self-regulated organizations governed by the Financial Services Act 1986 under its control to create a single super-regulator for financial services.

Although Lloyd's is exempt from the Financial Services Act and is self-regulated under the Lloyd's Act 1982, Chancellor Brown had said the government intended to make Lloyd's more accountable to external regulators as part of an effort to restore the credibility of the market.

Speaking at a conference the day after last week's parliamentary announcement, Ms. Liddell said the top priority of the new regulatory system at Lloyd's will be policyholder protection.

"We intend to give the FSA much more extensive prudential supervision powers in relation to Lloyd's," she said, comparable to the powers it now has over insurance companies. These will include conducting background checks of whether people in the market are "fit and proper" and giving the FSA powers of intervention in companies to protect policyholders.

Although the proposed legislation would allow for the FSA to exert authority over the authorization and supervision of Lloyd's members, Ms. Liddell said the government has no intention of supervising individual names at Lloyd's, "so long as Lloyd's own supervision is adequate."

Names will be protected through the authorization and regulation of members' agents by the FSA.

Trading in syndicate capacity also would be subject to greater regulation under the new regime, said Ms. Liddell. Again, the FSA would act as an overseer, in the same way it now regulates U.K. investment exchanges.

'We intend to give the FSA much more extensive prudential supervision powers in relation to Lloyd's,' says Economic Secretary Helen Liddell.

The government proposal "is very much in line with what Lloyd's was expecting," said David Gittings, Lloyd's director of regulation.

Mr. Gittings said he expects that under the proposal most of the market's regulation to be carried out much the same way it is now, using the same staff.

Although a new top layer will be added with external oversight, he does not expect it to make any material difference to the cost of Lloyd's regulation, though Lloyd's still must reach agreement with the FSA on how much Lloyd's would be charged for regulation by the agency.

Mr. Gittings' department last week published its third annual report on regulation in the market (see related story). Many of the areas highlighted in the annual report echo the views of the government on Lloyd's future regulation. BI

Lloyd's efforts to improve regulation ongoing

Market's own reforms to complement external oversight

By SARAH GODDARD

LONDON—Lloyd's of London continues to streamline and tighten up regulation of the market at the same time as the U.K. government calls for external regulation of the insurance marketplace.

Lloyd's regulatory division last week published its third annual report on regulation.

John Young, chairman of the Regulatory Board, said in the report that "regulation must not merely adapt to the changing marketplace but contribute to the development of a market which demonstrates high standards and integrity."

Mr. Young, who recently took over the position from Sir Alan Hardcastle and previously was chief executive officer of the U.K. Securities and Investments Board, said moves had been made to "streamline and reorganize the governance of Lloyd's," including the establishment of four committees to oversee specific areas of regulation. The Regulatory Board has been shrunk, he said, and now operates "on a higher level," looking at overall policy.

Last May, Lloyd's Regulatory Review Group proposed that the market move to a system of external accountability while the Council would remain responsible for day-to-day market regulation.

The new regulatory report reaffirmed that point, adding that "Lloyd's will assist and cooperate fully with the establishment and ongoing operations of the (Financial Services Authority)," a proposed new super-regulatory body.

According to the regulatory report, the focus of Lloyd's regulators remains the management of risk for the whole of the market and to improve its monitoring of syndicates on a risk-based approach.

To illustrate how this is happening, the report explained how regulators recorded and monitored the exposure of 28 Lloyd's syndicates to coverage written for the "Hibernia" platform, the largest offshore energy platform in the world, off the coast of Newfoundland. The regulators found that several syndicates had written more than their maximum permissible line. In addition, the boards of some agencies were completely unaware the risk had been written by their syndicates.

Aggregations of certain types of business within the market and of certain risks within specific syndicates continue to be monitored, said David Gittings, Lloyd's director of regulation, though he conceded that Lloyd's regulators have no way of monitoring aggregation should a risk leave the Lloyd's market and then re-enter through a retrocession from outside markets.

The "zero tolerance" approach adopted by Lloyd's regulators for any violations of the market's rules has paid off, said Mr. Gittings. Although complaint levels have remained fairly constant over the past three years, market inquiries and disciplinary proceedings have more than doubled, with 25 formal inquiries completed in 1997, compared with 10 in 1996.

In addition, more than 20 disciplinary proceedings were brought last year, compared with four in 1996, and 60 formal warnings were issued last year to companies needing to improve their compliance standards.

Registration of senior executives within the market continued apace last year, with 1,266 applications on top of the 3,606 applications received during 1996. In all, 51 people have been refused approval to trade at Lloyd's.

Although executives in Lloyd's-associated companies have complained that the regulatory division has been overzealous in its attitude toward even the smallest steps out of line, Mr. Gittings pointed out that companies have been made to sit up and take notice, helping to restore confidence in Lloyd's.

Other 1998 priorities for Lloyd's regulators include:

- Developing broker regulation standards, particularly in the areas of core business principles, registration of key staff, training and qualification requirements, regulatory arrangements for service companies and coverholders, and financial and solvency requirements, including errors and omissions insurance.
- Drawing up conduct-of-business rules for members' agents in respect of handling members' affairs and making them comparable to regulations governing advisers in other areas of financial services.
- Ensuring that different forms of capital providers are treated fairly.
- Improving electronic surveillance to monitor transactions, to help identify problems such as underwriters not adhering to their approved business plans.
- Improving communication between the regulators and the market. BI

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Intracorp

Continued from page 3

patient suffering and save corporate plan sponsors significantly on health costs, because chronic patients account for costs out of proportion to their numbers, said Dr. Kristin Crosby, national medical director-group health for Intracorp.

"It's a golden opportunity for them (employers) to provide information to employees that will be well-received," she said. "When presented with more information, they eagerly grasp for it."

The study found that 65% of respondents thought it was someone else's responsibility to make sure they were informed on health issues. Although only 9% of employees said they expected their employer to provide health information, and far more—28%—expected such information from doctors, 46% said they were dissatisfied with the information they were getting at work. The dissatisfaction with health information also may correlate with time lost from work: Half of those workers who lost two or more days in the previous 12 months were, on average, not satisfied with corporate-supplied health information.

While offering no panaceas for worker education, the report suggests companies can improve the attendance at their health fairs by actively encouraging employees to attend and providing incentives to those who do.

In addition, programs to seek out and help workers with chronic health problems and supply them with accurate, frequent and focused information probably are overdue, the report said. These programs would be especially useful for chronic back pain and arthritis, the most common problems reported by workers, it said.

Chronic patients account for costs out of proportion to their numbers, says Dr. Kristin Crosby.

"If they're successful, the employer can realize a disproportionate share of savings," Dr. Crosby said. "It would pose a win-win situation all around."

In addition, employees might benefit from access to a nurse-staffed, around-the-clock health hot line, the report said. Intracorp itself, in addition to its mainstay utilization review business, has 1,200 nurses handling calls by contract with several dozen employers.

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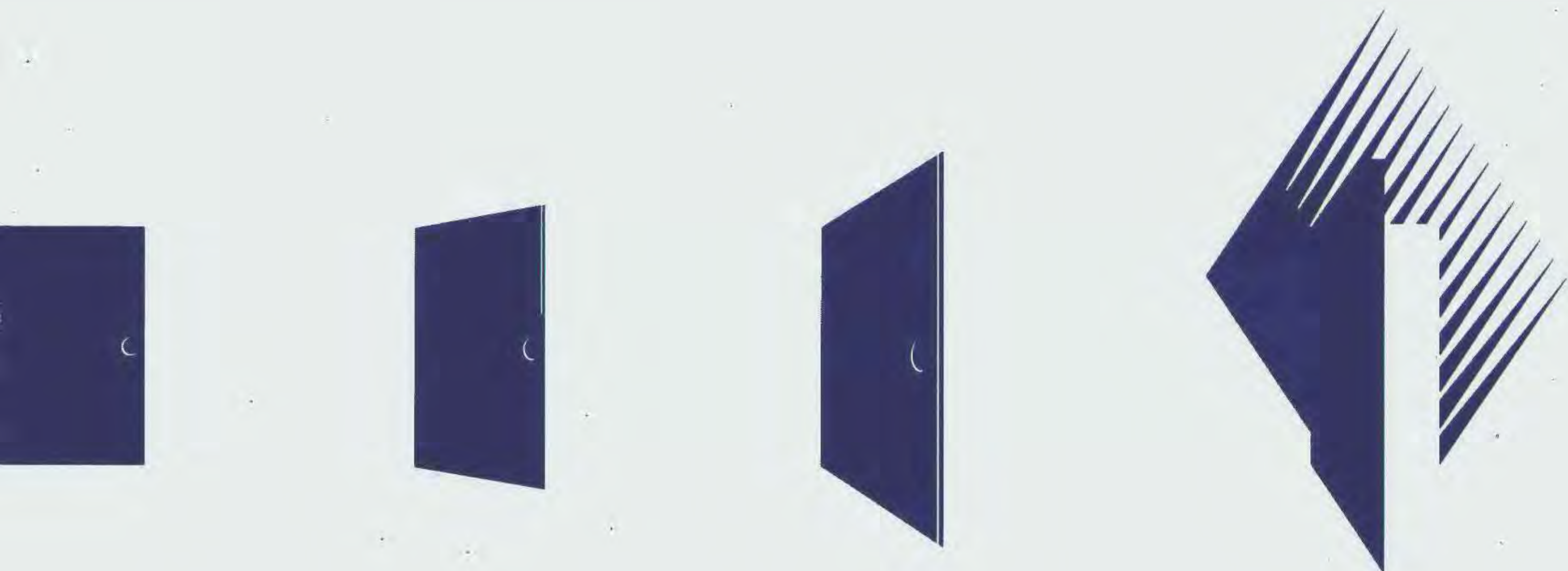
For a free copy of the study, "Personal Health: Who's Taking Charge?" contact Intracorp, 215-761-7144.



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Opinions

Y2K not just internal issue

BUYERS CAN BREATHE a sigh of relief that at least one vendor—their insurance company—is likely to be Year 2000-compliant when the time comes.

One of corporate America's greatest fears surrounding this computer problem is that while a company may put its own house in order, its suppliers are sticking their heads in the sand. A company that is Year 2000-compliant still can be idled if vendors are unable to deliver critical goods and services due to computer woes.

Many companies in the insurance industry are taking the threat of Year 2000 computer problems seriously and are investing considerable time and effort to ensure their own systems are not bitten by the millennium bug. Property/casualty insurance executives speaking earlier this month at the Joint Industry Forum in New York said they are spending millions of dollars to overhaul their systems and test their readiness in advance of the year 2000 (*BI*, Jan. 19).

Undoubtedly, some companies will not be prepared. Worse, time is running out for these companies to get their systems in order (if it's not already too late).

Already, regulatory authorities in some industries are cracking down on laggards that have not moved swiftly enough to deal with this problem. As we reported last week, state and federal banking regulators slapped a cease-and-desist order on a Georgia bank that the agencies had determined was out of time to overhaul its computer systems. Regulators charged that the company's "antiquated" computer system would be unable to correctly calculate interest payments on customer accounts after the year 2000.

The bank, which had been working on the problem at the time of the order, subsequently installed a system designed to avoid the bug and was allowed to resume business.

Regulators' decisive action to take an unprepared company off the playing field before the clock runs down illustrates how seriously some sectors of the economy are taking this threat.

Risk managers (at least those whose companies are Year 2000-compliant) should welcome this sort of assertive oversight, as it may fall on them to identify where their company is exposed to business interruption losses from a non-compliant vendor. Identifying trouble spots now will surely save a lot of headaches after Dec. 31, 1999.

Insurance regulators, for their part, are keeping an eye on the compliance efforts of the industry. The National Assn. of Insurance Commissioners, for example, helped develop a survey for states to use to determine the preparedness of insurers. The NAIC also adopted changes to its financial examiner handbook, so examiners now are asking questions of insurers on their Year 2000 readiness, including whether they have ascertained their vendors' compliance. Some individual states, such as Texas, are taking their own initiative on this issue.

But insurers' exposure to Year 2000 losses does not end with getting their own systems in order. A potentially huge loss exposure exists from problems created by malfunctioning computers.

No one really know how bad it could get, but when one considers how many basic systems in today's society are controlled by computers, the enormous scope of the exposure becomes apparent.

The risks include, but are by no means limited to, cash-flow problems, power failure, life safety issues, interruption of trade and so on and so on.

As a result, while those insurance executives speaking at the forum are confident their own systems will be ready to greet the new millennium, they don't know what the future holds in terms of covered exposures. Risk managers should be similarly concerned, because time is running out.

Broker group merger sensible

TWO PRODUCER GROUPS—The Council of Insurance Agents & Brokers and the National Assn. of Insurance Brokers—may soon take a step into the unknown by merging.

We certainly hope other insurance industry groups pay close attention to what happens between the two and don't fear to follow in their footsteps if the merger proves to be a success.

The Council and the NAIB have been holding talks about combining their efforts to, as NAIB Chairman Jane Hill Fleming has said, have "a bigger, stronger, louder voice in Washington and in the states." That is a goal no one should be able to argue with.

The truth of the matter is, the property/casualty insurance industry too often speaks in a welter of tongues as its representatives try to make their cases on Capitol Hill and in the statehouses. Lawmakers don't know who to listen to as parochial interests have trumped industrywide interests, to the detriment of insurers, producers and their customers—the risk managers.

To be sure, the record of recent merger attempts among proper-ty/casualty trade groups is not particularly inspiring.

Despite cross-membership, the Independent Insurance Agents of America and the National Assn. of Professional Insurance Agents never came to a merger agreement despite moves in that direction a few years ago, and in 1989, a proposed union of the Alliance of American Insurers and the National Assn. of Independent Insurers also faltered.

That needn't be the case with the possible Council-NAIB merger. There is a considerable amount of cross-membership and a history of working together. The two groups complement each other in the strengths they bring to the table.

Most importantly, the leadership of both organizations has realized this commonality and decided to move upon it.

While "nothing is cast in concrete," as Council Chairman John C. Adams has pointed out, Mr. Adams also has said "we view the probability as pretty strong that we'll be able to find a way to get together."

We wish the Council and the NAIB well in this endeavor. It's a big step, but if it comes to pass, it's one that other insurance trade groups should give serious thought to following.

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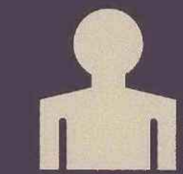

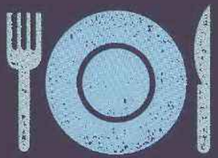

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Exposures

Continued from page 3

But, as the rise of the Internet and electronic business increases the emphasis on safeguarding intellectual property, in cyberspace "The fine line between what is and is not copyright infringement blurs and becomes very delicate," said Marylu Korkuch, strategic initiatives manager for the Chubb Technology Insurance Group in Warren.

"The Internet has made things so much easier for us, but it's also made it possible for us to create infringements without even realizing it," she said.

From a historical perspective, Mr. Cornwell noted that in the past, those in the broadcasting, publishing or entertainment industries were viewed as content creators, while software developers were code creators, and each was a separate entity.

Now, however, there is a rapid convergence of industries using both content and code. "Today's reality is companies aren't single entities anymore," Mr. Cornwell said. For example, he noted, Microsoft Corp. is involved in software, broadcasting, publishing and even in a travel agency.

This convergence into high-tech multimedia companies brings with it new risks, including increased liability exposure to such claims as copyright or trademark infringement, defamation of character or libel.

The way a company manages its World Wide Web site, for example, could expose it to risks it never faced before venturing online.

"Do they have a chat room or a bulletin board, and do they edit that chat room or bulletin board?" Ms. Korkuch asked. "If they edit a chat room or bulletin board, it creates a new level of exposure."

In effect, the company becomes a publisher in such a situation, she said, and needs to consider the exposures associated with publishing. "Web site management could very easily become the Achilles' heel of an insured's operation," she said.

In seeking to address some of the new exposures generated online, Chubb's new multimedia insurance policy defines "matter" very broadly as "printed, verbal, numerical, audio or visual expression or any other form of expression," offering infringement coverage not just in cases of traditional published or performed material but computer code as well.

The policy includes both a coverage A portion, which Mr. Cornwell described as "the heart of the policy" providing the multimedia coverage, and a coverage B portion, which provides personal injury coverage.

The insurance applies anywhere, Mr. Cornwell noted. "The Internet exists in 50 million sites around the world. This addresses that issue."

Target customers for the new Chubb policy include software developers and distributors, electronic game developers and producers, Internet software tool developers, Internet service providers, online service providers and selected electronic publishers. BI

Aviation

Continued from page 3

clearer indication by summer where rates are headed.

Regardless of the direction of rates, unless there is a major reduction in capacity, all airlines will be able to significantly bolster their liability limits, market executives agree. Aviation markets have 175% of the capacity U.S. airlines need and 200% of the capacity foreign airlines require, Mr. Frick said.

Forty airlines worldwide increased their liability limits last year, according to David Binks, executive director of Aon Group Ltd., the London-based wholesale and reinsurance brokerage unit of Aon Group Inc.

Many major airlines last year hiked their liability limits to $1.25 billion from $1 billion, and many now are eyeing an increase to $1.5 billion, market executives said.

"It's an accelerating trend," said Harold Clark, chairman and chief executive officer of New York-based U.S. Aviation Underwriters Inc., the management company for aviation underwriting pool United States Aircraft Insurance Group.

"And, they're still saving money," said Bill Behan, president of aviation brokerage AirSure Ltd. in Golden, Colo.

In their efforts to use as much of their capacity as possible, aviation underwriters last year slashed rates to win business.

Most market executives estimated that liability and all-risk hull rates overall fell 20% to 30% last year. Mr. Binks said those deals were about twice as good as the market offered in 1996.

Underwriters shaved all-risk hull rates five to 10 points more than they trimmed liability rates. Hull rates fell 25% to 35%; liability rates dropped 20% to 30% last year, market executives said.

Hull war risk rates were even softer. "If anyone renewed at less than a 30% reduction last year, it's unfortunate," Mr. Behan said.

Those rates dropped as much as 40% to 50%, Mr. Binks noted.

But, aviation underwriters pared rates far more aggressively late last year—when 75% to 80% of the world's airlines renewed their coverage—than they did during 1997's spring renewal season. As a result, underwriters this year will offer spring renewals rate cuts that, combined with their deals last year, will at least equal the rate cuts policyholders negotiated during 1997's fourth quarter.

This spring, though, some airlines with good loss records may be able to negotiate deals in which they achieve more than rate parity.

For the remainder of the year, aviation insurers will have to grapple with a likely underwriting loss in 1997 and try to avoid another loss this year.

"1997 was not an unusual year. But, on a gross basis, it looks like a loss year," said Richard Maylam, who plans to retire as deputy chairman of Archer Managing Agents Ltd. in February. Mr. Maylam retired as lead underwriter of Archer aviation syndicate 270 late last year.

Market executives estimated that aviation losses totaled $1.25 billion and premiums net of airlines' profit commissions totaled $1 billion last year. The executives said Airclaims Ltd.'s recent estimate of $1.4 billion of losses, which would be the fifth-worst on record, is slightly inflated (*BI*, Jan. 12).

'Underwriters lost money, but not enough to drive capacity out of the market,' says Jerry Frick of J&H Marsh & McLennan.

"Underwriters lost money, but not enough to drive capacity out of the market," Mr. Frick said.

Still, the market is "out to stabilize rates," said Mr. Clark of USAIG. "The market is perilously perched in a position it can't sustain. Any further reduction pretty much puts us back in a guaranteed loss position," he said.

Mr. Clark conceded that market leaders' commitment to stabilizing rates will be challenged by new and existing underwriters seeking market share gains.

"Once the 1997 results are seen, maybe rates will go up," Mr. Maylam said.

Ric Parker, who retired last year as executive vp and director of national accounts in charge of large-risk underwriting for Short Hills, N.J.-based Associated Aviation Underwriters, predicted the aviation market likely "is doomed to another year of softness."

One factor that could turn the market around is a "noticeable catastrophic event that stabilizes the amount of available reinsurance capacity," he said. Mr. Parker is an Old Greenwich, Conn.-based reinsurer consultant, but he plans on returning to aviation underwriting soon.

Aon's Mr. Binks also projects that rates will fall throughout the year, because underwriters' premium volume will not drop commensurately with rates. Airlines' fleet values and revenues per 1,000 passenger kilometers, which drive premiums, are expected to climb at least 5% and 6.5%, respectively, this year, he said. Last year, worldwide fleet values rose 7.5% and passenger revenues surged 9%.

Now that airlines have eliminated the Warsaw Convention's liability caps on passengers on international flights, underwriters likely will try to manipulate rates to generate enough premium volume to cover the perceived additional liability exposure, market executives said. But, the market's excess capacity likely will thwart that effort, many executives predicted.

Market executives, though, disagree over whether the end of the caps will significantly increase underwriters' exposure (*BI*, May 12, 1997).

With all the pressure on rates, underwriters are remaining fairly inflexible on improving terms and conditions, according to market executives.

Meanwhile, the aviation market is studying how it will respond to its policyholders' exposures to Year 2000 computer problems.

"It certainly has to be resolved six months prior to 2000," Mr. Maylam said. But, "it's too early to say" how underwriters will respond. He hopes the market will be able to announce by October how it plans to deal with the risk.

Aviation underwriters are divided over how to handle the exposure, said Graham Nichols, deputy chairman of the Aviation Insurance Offices Assn. in London. Some want an exclusion that would bar coverage for any loss related to a Year 2000 problem, while others do not want such a sweeping exclusion, said Mr. Nichols, who also is chief executive of Westminster Aviation Insurance Group in London. Draft exclusions already are floating around the market.

In a questionnaire going to aviation policyholders this spring, the AIOA will be looking for information on how those policyholders plan to solve computer problems that could cause claims.

"Depending on the response, we'll have to see what we'll do regarding coverage," Mr. Nichols said.

Aviation underwriters also will have to consider how the reinsurance market will respond to that exposure. "But, the view from London is, we don't want to be driven by the reinsurance market," Mr. Nichols said. BI

Odyssey Re Group names Dowd chair

Comings & Goings: Industry

James F. Dowd, chairman of Odyssey Reinsurance Corp., has been named chairman of Odyssey Re Group Ltd., the reinsurance holding company of Toronto-based Fairfax Financial Holdings Ltd. The newly established holding company comprises Odyssey Reinsurance Corp. in New York, Compagnie Transcontinentale de Reassurance in Paris, Sphere Drake Insurance P.L.C. in London and Sphere Drake Insurance (Bermuda) Ltd. Mr. Dowd also was named president and chief executive officer of Fairfax Inc., the U.S. holding company. **Andrew A. Barnard** was named president and CEO of New York-based Odyssey Re Group.

In other reinsurer changes:

Joseph P. Brandon, Hans Peter Gerhardt and **Franklin Montross IV** promoted to senior vps at General Re Corp. in Stamford, Conn.

Robert M. Copp named vp of NAC Reinsurance Corp.'s ocean marine department in Greenwich, Conn.

Chartwell Re Corp. announced several promotions in Stamford, Conn.: **John V. Del Col** named vp, general counsel and corporate secretary; **John S. Barada** named vp-specialty department; **Richard J. Wiseley Jr.** named vp-controlled source insurance; **Glen A. Leibowitz** named vp-actuarial department; **Elizabeth A. Sander** named vp-actuarial department; **Nancy B. Saltzman** named vp, associate counsel and investor relations; **Marianne Petillo** named vp-claims; **James D. Home** named vp-accounting department; **Sally B. Gilmore** named vp-global department; and **Martha F. Lametta** named vp-human resources.

Stephen J. Morello, Robert W. Trainer and **David W. Tritton** named executive vps at American Re's Domestic Insurance Co. Operations in Princeton, N.J.

Kin K. Gee named president and chief operating officer of New York-based Swiss Re Life & Health's North America operations.

Insurers

Robert V. Mendelsohn, chairman and CEO of Royal & SunAlliance USA Inc. in Charlotte, N.C., has been named to the additional post of worldwide group chief executive. Mr. Mendelsohn succeeds **Richard Gamble**, former CEO of Royal Insurance, and **Roger Taylor** former CEO of Sun Alliance, who relinquished their management responsibilities. Also at Royal & SunAlliance, **Terry Broderick** named president and COO.

Larry Lombardo named executive vp with overall responsibility for the underwriting operations at ACE Insurance Co. Ltd. in Hamilton, Bermuda. **Patrick Mitchell** succeeds Mr. Lombardo as head of the excess liability division; **Fiona Luck** named executive vp with responsibilities for all joint ventures and strategic relationships; and **Pierre Samson** named senior vp-financial lines. Also at ACE, **Roger Gillett** named senior vp-business development, a newly-created position.

Robert P. Cole named senior vp at W.R. Berkley Corp. in Greenwich, Conn., with responsibility over four regional insurance companies and over the outgoing reinsurance programs of all W.R. Berkley's insurance and reinsurance subsidiaries. Also, **Donald J. Veldkamp** named senior vp-technology and distribution systems.

Jack McReynolds named president and COO of Universal Surety of America, a Chicago-based subsidiary of CNA Surety Corp. Also, **Sharon Sartori** named executive vp and chief underwriting officer-commercial surety, and **Michael Dougherty** named executive vp-marketing.

Nancy H. Treul named senior vp-marketing at Foremost Insurance Co. in Grand Rapids, Mich.

Thomas A. McCarthy named senior vp of CIGNA Risk Solutions, a Philadelphia-based business unit of CIGNA Property & Casualty's Special Risk Facilities that designs integrated, multiyear, multiline insurance programs for business.

J. Greg Ness named vp and corporate secretary for Standard Insurance Co. in Portland, Ore.

Eric W. Rahn named president and COO of Alliance General Insurance Co., the Chicago-based surplus lines insurer.

Leland Proimois joined the Woodland Hills, Calif., office of Gryphon Insurance Group as senior vp. Mr. Proimois, formerly responsible for the entertainment division of Fireman's Fund Insurance Co., will establish an entertainment, sports and special risk division at Gryphon Insurance.

Bob DeLiberato named senior vp-business development at Reliance Insurance Co. in Philadelphia.

Agents/brokers

Larry R. Sorensen named executive vp-alternative market operations at Aon Group Inc. in Chicago. Also at Aon, **Willoughby "Bill" Chesley** named COO of Aon Risk Resources, the Greenwich, Conn.-based subsidiary specializing in property/casualty excess coverage and reinsurance for public entities.

William G. "Griff" Moody III named president and CEO of Willis Corroon Corp. of Georgia in Atlanta. Also, **J. Stanley Fink** and **John D. Sternberg Jr.** named senior vps at Willis Corroon Corp. of New York.

Robert C. Fry named vp and sales manager at Near North Insurance Brokerage Inc. in Chicago.

Edward J. Bowler Jr. named vp-finance at USI Insurance Services Corp. in San Francisco. Also at USI, **Sandra Melia-Usleman** named vp-sales training and personal development.

Dale Barnard named senior vp in the employee benefits division and **C. Peter Cimoroni** named vp in the property/casualty and group benefit divisions of Acordia of Northeast Ohio.

Thomas M. Comer named executive vp and chief operating officer of Swett & Crawford Group, the Woodland Hills, Calif.-based wholesale broker.

Robert Tutchener named managing director of property/casualty operations for the New York Metro zone of Sedgwick of New York Inc.

PARCA

Continued from page 1

concerned about the Patient Access to Responsible Care Act, known as PARCA. Introduced by Rep. Charlie Norwood, R-Ga., a retired dentist, it has the support of about half the House of Representatives.

That bill, among other things, would amend the federal Employee Retirement Income Security Act to allow employees to sue employers and benefit managers in state courts and recover damages—including punitive damages—applicable under state law for personal injuries incurred in connection to health plan services. Under ERISA, employees claiming injury from health plan services, can recover only actual damages and in some cases legal expenses.

Benefit managers, for example, could be sued if they exercised "discretionary authority" to review and make decisions on claims for plan benefits.

Rather than be exposed to that kind of liability, some employers would drop their health care plans, warned Jerry Jasinowski, president of the National Assn. of Manufacturers in Washington.

"This bill is a recipe for disaster. It is a trial lawyer's dream but an employer's nightmare," said Bruce Josten, executive vp of the U.S. Chamber of Commerce in Washington.

But Rep. Norwood's aide says the bill is being misconstrued by opponents, adding that it is not the bill's intent to allow suits against employers. "There has been total, intentional disinformation" about the bill, the aide said.

The new coalition is being launched amid a flurry of activity on the health care quality front. For example, President Clinton earlier this month said he would support legislation that would, among other things, guarantee managed care enrollees access to specialists and a grievance and appeals process.

In addition, congressional Democrats are expected to draft their own health care quality bill, while the House Republican leadership is forming a health care quality task force, which may produce legislation.

Employers worry that so-called consumer protection legislation would stifle innovation.

"The health care marketplace is evolving at breakneck speed. If Congress attempts to fix the system through legislation they will literally do no better than promising yesterday's medicine to tomorrow's patients," said Tony Burns, president and chief executive officer of Ryder System Inc. of Miami.

The legislative activity comes at a time when there is—at least on the surface—high public support for more consumer protections in health care plans.

Last week, a survey by the Kaiser Family Foundation and Harvard University found that nearly two-thirds of respondents said they would favor a law allowing patients to sue health care plans for malpractice, while nearly 90% said they would back legislation that would allow denied claims to be appealed to an independent reviewer.

Support for such measures, though, drops dramatically if they would create a loss of insurance coverage. For example, only 36% of respondents said they would back a law allowing patients to sue health care plans for malpractice if it resulted in employers dropping coverage.

One byproduct of the coalition's campaign may be more employer awareness and understanding of the PARCA legislation and getting them involved in lobbying against the bill.

"It has taken a long time for people to understand PARCA. Even today, many employers are not aware of PARCA's implications," said the SIIA's Mr. Pantos, adding that its reach would extend to all health plans, including self-funded programs.

Among other things, health care plans, under some interpretations of the legislation, could have to provide coverage for services, such as those delivered by chiropractors and massage therapists, they never intended to cover. Other provisions would require employers to evaluate all health care professionals that apply to their networks, even if their networks are full.

A study by actuarial consulting firm Milliman & Robertson found that PARCA could increase health care premiums by 7% to 39% (*BI*, Nov. 24, 1997). The consultant attributes the wide rage of estimates to varying interpretations of PARCA's language. BI

Forecast

Continued from page 3

proved performance to lower catastrophe losses, more modest asbestos and environmental losses and aggressive recognition of prior-year reserve redundancies.

Best said 1997 results, however, are much worse than what is being recognized. "Today's competitive pressures are reflected in widened price-cutting, weakened reserve margins and increased use of aggregate stop-loss reinsurance to protect reported results, with the true economic consequences being postponed," Best said.

"The full extent of damage inflicted on market followers will not be evident until 1998 and beyond. Only then will the inevitable market shakeout become a reality."

Net premiums written amounted to an estimated $121.5 billion, up 1.6% from 1996, which reflects fierce price competition, according to the Best report. Furthermore, underwriting results in workers compensation, the industry's largest line of business, have begun to deteriorate, with further weakening expected over the next several years, Best predicts.

Some other forecasts in the reports:

• Willis Corroon sees more catastrophe bond transactions in 1998, despite a continuation of the soft market.

• Best believes the use of securitized products for casualty risks will be "hampered by the lack of understanding of insurance exposures within the investment community."

• The number of buyers purchasing guaranteed cost programs at levels at or below expected losses will continue to occur, according to Willis Corroon.

• Both Best and Willis see continued strong interest in captive insurers by risk managers.

• The commercial insurance industry will continue to consolidate, both reports indicate.

• Best predicts continued convergence of the banking, securities and insurance industries will occur.

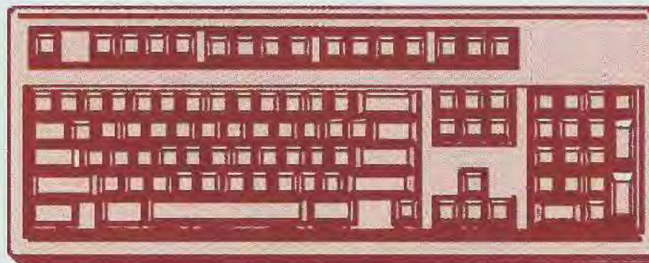
• An uptick in the number of insurer insolvencies, particularly among small to medium-sized companies that mismanage reserves will occur, according to Best.

• Globalization will expand among mid-sized insurers seeking to follow middle-market accounts abroad or to export their specialized expertise, Best predicted.

•

To obtain a free copy of Willis Corroon's 1998 "Insurance Market Forecast," contact Amber Grunden at Willis Corroon's Advanced Risk Management Services unit at 615-872-3401.

To obtain a copy of A.M. Best's "1998 Review-Preview" call 908-439-2200, ext. 5742. The cost is $25 for non-A.M. Best subscribers.



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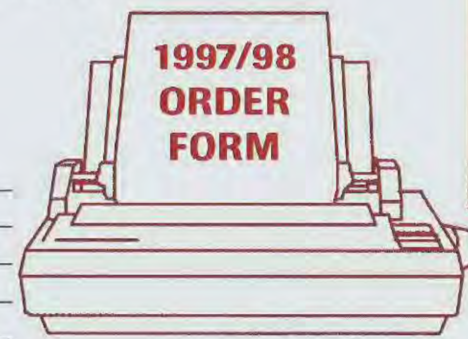

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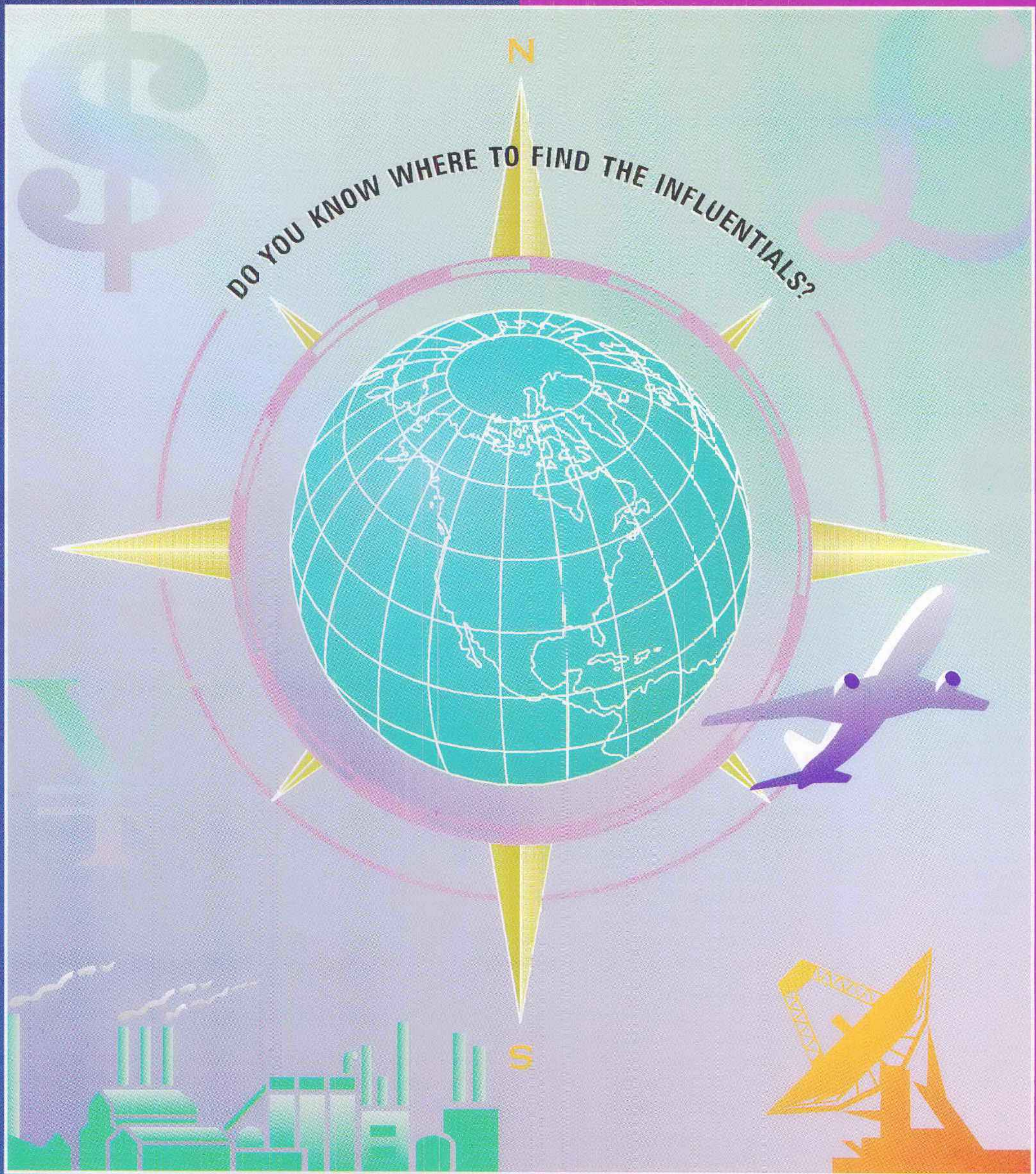

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Look thoroughly for recall coverage

By Greg Higgins and Shellie Landa

When Hudson Foods Inc. first announced its recall of ground beef infected with potentially deadly E. coli bacteria last year, the Rogers, Ark.-based meat producer might have had hopes of limiting its damages. But within days, it became clear the problem could not be contained.

In rapid sequence, Hudson lost a big customer and was forced to shut down a major processing plant in Nebraska while recalling 25 million pounds of ground patties. Ultimately, the recall cost Hudson its independence; within weeks of its hamburger disaster, the company agreed to be acquired by a long-time competitor.

Hudson was not the only company tainted: Injuries were sustained by businesses ranging from fast-food giant Burger King Corp., which used Hudson beef in its Whoppers, to mom-and-pop grocers selling Hudson's frozen beef patties. Indeed—as in previous cases involving contaminated salmon—sales for the entire beef industry plunged due to public suspicion of meat industry standards.

No company ever deliberately sets out to put a defective or harmful product on the market. Yet as Americans have become well aware, recalls of defective products are no longer isolated events. Witness recent recalls ranging from hot-burning halogen lamps to bacteria-infected apple juice to a diet drug combination that can damage heart valves to infant swings that can strangle small children. Even venerable Readers Digest was forced to recall 600,000 copies of a special holiday magazine last year because it published a dangerously faulty recipe involving flavored oils.

The Consumer Safety Products Commission last year issued 375 separate recalls, involving more than 85 million product units. Meanwhile, the Food and Drug Administration recalled more than 3,000 products in 1996.

A company caught in the grip of a product recall can control its own destiny by rigorously keeping track of its losses and aggressively pursuing all the insurance coverage available to cover business interruption and lost revenue stemming from the recall and subsequent liabilities. A prompt and honest confrontation of the problem is not only good public relations, it is essential if a company is to obtain a full financial accounting of its losses and maximize its insurance claims.

No company immune to harm

Recalls have struck America's most well-respected companies, including Ford Motor Co., General Motors Corp., General Mills Inc., Campbell Soup Co., Nike Inc., Nestle, Kraft/General Foods, The Pillsbury Co., and Johnson & Johnson Corp., which suffered the "mother of all recalls" in the mid-1980s after the criminal tampering with bottles of the pain reliever Extra-Strength Tylenol. General Mills took a $125 million write down several years ago due to a pesticide-contaminated grain recall scare.

Major losses are also sustained by third parties. A retailer may feel the effects of a recall through lost sales and profits the damaged product would have earned. A company in the same industry as the recalled product will likely be tarred by the problems of Company A, even though Company B exceeds industry standards and is entirely blameless of the defects of its competitor. These third-party companies frequently fail to claim their own business losses from their insurers.

Recalls not only can cost tens or hundreds of millions of dollars in sales and production losses but can cause a company's most cherished assets—its good will, brand value and reputation—to plummet overnight, tarnishing it for decades. In facing a recall, a company will be judged by how well it responds publicly to the crisis, how quickly it corrects any reported defects, and how capably it deals with impatient shareholders and investors.

Yet no matter how well a company handles these challenges, its survival may depend on something else: its ability to secure full insurance coverage for the recall. Even companies that think they are fully covered for recall-related claims, whether through property policies, commercial general liability policies, or customized "product integrity" insurance, often grossly undervalue their losses and unwittingly maximize the damage done to their bottom lines.

Maximizing recovery under existing insurance

Whatever their coverage, the ability to maximize what insurers or third parties pay depends on a thorough investigation and documentation of damages and an in-depth understanding of the coverages and exclusions of a company's insurance. Brokers, insurance adjusters and corporate risk managers often have been surprised to find product recall damage coverage available under a variety of policies.

Two kinds of policies are expressly designed to cover "product integrity" issues. Product-tampering insurance has been popular with manufacturers ever since the Tylenol recall of the 1980s. A second policy offering product recall insurance specifically protects against damages caused by accidental defects.

Companies will find that product recall dollars are significantly limited even under this standalone coverage. The good news is that pre-existing general liability policies usually have language that allows additional recovery for properly documented damages in certain categories, thus raising total coverage limits. Plaintiffs attorneys have been especially creative and aggressive on behalf of companies with product recall damages covered only by property or general liability insurance.

For example, property policies have been found to provide coverage in cases where physical damage was done to the product in the manufacturing process. In one case, a malfunctioning safety buckle in an infant car seat that causes the belt to unsnap at random might be covered under a property policy if it can be shown that the belt was damaged during the manufacturing process. A product contamination loss caused by a raw material supplier might also be covered under property policies, as might food spoiled by defective refrigeration or non-hygienic conditions during transport.

Companies with "all risk" property policies—as opposed to "named peril" policies—are the most likely to find coverage for a product recall loss. Nevertheless, these policies typically exclude coverage of damages from "design defects," or from problems due to processing "faulty materials," or from general wear and tear. Commercial general liability insurance typically covers liability claims, as opposed to tort claims. But CGL policies might cover advertising-related claims, or damages caused by false or misleading advertising. Certain CGL clauses, interpreted jointly with clauses in standalone product integrity insurance, might raise the policy coverage limits for a product recall occurrence.

Full investigation is critical

Whatever type of insurance provides coverage, a thorough assessment of all costs is crucial to recovery of damages sustained in a recall. While companies hit by product recall often are shocked to learn how deeply and broadly its effects are felt, they may be relieved when finding out the range of damages that their insurance can cover—if properly documented.

Companies are so anxious to put the problem behind them that many fail to do a proper economic impact analysis of the loss. It is essential, however, to create a clear paper trail to document all losses. A full assessment would include:

- Investigational costs related to plant visits, employee interviews, engineering tests and equipment tests.
- Loss of product inventory within control of the company and all inventory recalled from market circulation.
- Product transportation, storage, and necessary inventory destruction costs.
- Cleanup at company and customer facilities.
- Cost of correcting the problem, such as automobile part reinstallation or reinstallation of products in commercial buildings.
- Advertising needed to explain the company's response to the public and to restore product or brand image.
- Outside public relations costs, including special promotions or consumer incentive programs to re-establish the product.
- Lost sales by both customers and the company; money spent to "buy back" customers, including payment for shelf space to maintain distribution at retail outlets.
- Outside legal costs, including fines, penalties or settlement of lawsuit.
- Ultimate product redesign necessitated by the recall.

Relying on outside help

Accountants and financial experts often are retained as part of a company recall task force comprised of senior financial and operations management. Working together with a company's risk managers, public relations staff, general counsel and corporate management, independent damage experts can help in these ways:

- **Assessing risk and damage exposure:** In the likely event of first-person and third-party liability litigation surrounding the recall, decisions regarding case management take into account a number of issues, including damages, liability assessments and business issues. Analysis and information regarding potential damages, strengths and weaknesses of the opponent's damages position, settlement offers, and cost/benefit analysis are all important in the decision-making process. Outside experts can assist during discovery to identify damage information important to claims settlement.
- **Developing damage theories and performing financial analysis:** Key to maximizing insurance recovery is the creation of a market and competitive analysis, which includes cost determinations, lost-profit analysis and overall industry review. Financial experts develop credible damage theories and models appropriate to the issues of the claim, bringing in other professionals in valuation, accounting, actuarial, compensation, government contracting and other technical support.
- **Negotiating claims settlements:** Accountants are key to ensuring a complete understanding of the economic aspects of the claims, including likely responses from the insurers. In some recall claims, it is possible to reach agreement on the economic aspects of a recall dispute in advance of liability determination, saving time and money.
- **Expert testimony:** Accountants should also be called on to serve as expert witnesses in the event that recall-related claims are forced into litigation.

Negotiate from strength

For companies hit by a product recall, the exposures are all too real and the potential liability is enormous. Decades of good will can be eliminated practically overnight through a tainted product. Companies that have full information about the economic impact of a product recall are in a much stronger position to negotiate full insurance coverage. Companies that fail to get such advice are likely to be short-changed by their insurers and walk away from negotiations leaving substantial sums of money—and possibly their own futures—on the table. BI

Mr. Higgins

Ms. Landa

Greg Higgins, based in Chicago, and Shellie Landa, based in San Francisco, are product recall and business interruption insurance experts with Deloitte & Touche L.L.P.'s national dispute consulting practice.

Taking a fresh look at additional insureds

"The Additional Insured Book" (3rd edition)
By Donald Malecki, Jack Gibson and Pete Ligeros
Published by International Risk Management Institute, 12222 Merit Drive, #1450, Dallas, Texas 75251-2276; 972-960-7693
$49.98

By Kevin M. Quinley

Books & Ideas

DO RISK MANAGERS really need another book on additional insured problems? Apparently so, or so it appears to the folks at International Risk Management Institute, a leading publisher of insurance and risk management books. Much of what the risk manager deals with these days touches upon those pesky additional insured issues.

Construction contracts, lease agreements and many other contracts usually require one party to add another as an additional policyholder.

These situations are often fraught with peril for risk managers. Adding another entity as an additional insured often produces conflicts between the two parties over which insurer pays first. It may also require a risk manager to share insurance limits with the additional policyholder. Such agreements often transfer a bigger chunk of risk than the parties envisioned when they cut the deal. It also increases the odds of coverage disputes.

The authors bring a breadth of experience to the challenge. Don Malecki is a Cincinnati-based risk management consultant. Jack Gibson is president of IRMI. The new member of the team for this third edition is Pete Ligeros, an attorney who also operates a risk management consulting practice.

The authors have anticipated the reaction of many risk managers, who may wonder why they need a third edition of this book. Among the reasons they give:

- To understand how companies likely cannot get additional insured status from professional liability policies.
- Learn the pros and cons of the 1997 changes to the commercial general liability policy's other insurance provision as respects additional policyholders.
- Deciphering different approaches to providing workers compensation coverage for leased employees.

The third edition analyzes the 1996 and 1997 standard additional insured endorsement changes and the revision of the other insurance clause. The authors cite and explain the latest court rulings and present new conclusions based on the authors' ongoing research. Every chapter has been updated, and two new chapters—on blanket endorsements and professional liability issues—are included. IRMI has added nearly 70 pages of updated information and 55 additional case citations. This is much more than a warmed-over version of the earlier edition.

With the 1997 changes to the CGL policy's "other insurance" clause, the entire insurance industry even adopted one of the key recommendations in the earlier editions of "The Additional Insured Book," a credit to the authoritative niche the authors have carved out.

"The Additional Insured Book" explains the pitfalls of "mutual" or "reciprocal" additional insured status. It also examines problems with the standard endorsement forms and offers guidelines for tailoring additional insured status to jive with indemnity provisions. Interested in manuscripting your own additional insured endorsements? The book even offers some samples or templates for risk managers to consider.

Additional insureds often bring additional headaches to risk managers. This newest guide from IRMI, admittedly more expensive than a bottle of aspirin, is a more lasting solution to these conundrums. BI

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

'Occurrence' must be during policy period, court rules

Legal Briefs

Where an insurance policy provides coverage for liability resulting from an "occurrence" during the policy period, the period of the occurrence is when the complaining party is actually damaged.

Jenoff Inc. installed heat detection and fire suppression systems in grain elevators. Jenoff purchased an umbrella liability policy from New Hampshire Insurance Co. providing coverage from the period Jan. 1, 1976, to Jan. 1, 1977. The policy provided up to $2 million coverage for "any one occurrence. . .(of) Property Damage. . . ." In 1976, while the policy was in effect, Jenoff installed a system in a grain elevator in South Dakota. The elevator was destroyed by fire in 1993. The elevator's insurer brought a $2.5 million subrogation claim against Jenoff, alleging negligent design and installation of the system. Because no modifications or alterations were made to the system after its installation, Jenoff's alleged liability arose entirely from its actions in 1976. New Hampshire refused to defend Jenoff in the subrogation suit on the ground that the lawsuit did not arise from an "occurrence" within the period of coverage under the policy. Jenoff then brought this suit, seeking a declaration from the court that coverage existed. The trial court ruled against Jenoff. However, the Minnesota Court of Appeals reversed, concluding there was coverage.

The state supreme court pointed out that the New Hampshire policy explicitly stated that the policy applied only to occurrences "happening anywhere during the policy period." Thus, the court said the policy, while not defining an occurrence as an event taking place in the policy period, clearly stated that it applied only to occurrences taking place during the policy period. The trial court decision was reinstated, holding that the New Hampshire policy did not provide coverage here.

Jenoff Inc. vs. New Hampshire Ins. Co., Supreme Court of Minnesota, Jan. 30, 1997 (*BI*/03/S.-$10).

Benefit-stoppage law not unconstitutional

A state law terminating workers compensation benefits to a claimant over age 65, under certain circumstances, where a claimant is eligible for Social Security benefits, was not unconstitutional, according to a decision of the Supreme Judicial Court of Massachusetts.

John Tobin had worked for the Town of Stoughton since 1978. In 1988, he sustained a work-related injury to his shoulder requiring surgery. He received workers comp benefits from October 1988 through Oct. 29, 1991. On that later date, after Mr. Tobin had been out of the labor force for more than two years, he was 65. A Massachusetts law provides that an employee over age 65 who has been out of the labor market at least two years and is eligible for Social Security benefits will not be entitled to workers comp benefits except under certain circumstances. Pursuant to that law, Mr. Tobin's compensation benefits were ended.

On appeal, Mr. Tobin argued in part that the state law terminating benefits violated his equal protection rights. However, the court concluded that the law overcame the equal protection challenge because it was rationally related to a legitimate state interest. For one, the court said the law was a benefit coordination provision to prevent the stacking of benefits derived from statutory and other schemes designed to serve a common purpose. Also, the court said the legislature could have enacted the law to reduce the cost of workers comp premiums for employers paying into multiple benefit systems, such as workers comp, Social Security and pensions. The court affirmed the decision to terminate Mr. Tobin's workers comp benefits.

Case of Tobin, Supreme Judicial Court of Massachusetts, Feb. 11, 1997 (*BI*/04/S.-$10)

Traveling ruled part of employment

In a case of first impression in Arkansas, an appellate court ruled that where traveling is an inherent and necessary incident of an employee's required job activity, the employee in this case was performing employment services while en route from her employer's office to a patient's home for the purposes of workers compensation.

Cheri Pettey worked for Olsten Kimberly Quality Care as a nurse's assistant. Her duties required her to care for patients in their homes. She was paid according to the time she actually spent in each home. She used her own vehicle, received no wages for travel time and was not reimbursed for travel expenses. In April 1991, she was injured in an auto accident en route from her employer's office to the home of her first patient of the day. She filed for and was awarded workers comp benefits. The employer appealed.

On appeal, the employer argued that Ms. Pettey was not injured at a time when employment services were being performed and thus was not entitled to compensation benefits. The court said delivering nursing services to patients at their homes was the raison d'etre of Olsten's business, and the traveling to patients' homes was an essential component of that service. The court said "performing employment service" must include the performance of those functions essential to the success of the enterprise in which the employer is engaged. The award of benefits was affirmed.

Olsten Kimberly Quality Care vs. Pettey, Court of Appeals of Arkansas, Dec. 23, 1996 (*BI*/03/Au.-$10).

Denial of ERISA relief upheld

Compensatory damages are not "appropriate equitable relief" under ERISA for breach of fiduciary duty in failing to timely notify an employee of her right to elect cancer coverage, ruled the 9th U.S. Circuit Court of Appeals.

Pamela J. McLeod filed this suit against her employer, arguing that her employer's ERISA plan administrator breached a fiduciary duty to her by failing to notify her that she had become eligible to apply for coverage under a cancer insurance policy. She sought judgment for the amount of benefits that would have been paid to her had she elected coverage under the cancer policy and for compensatory damages for emotional distress. She lost her case in the trial court and Court of Appeals; however, the U.S. Supreme Court granted her petition for review, vacated the judgment and returned the case for further action to the Court of Appeals.

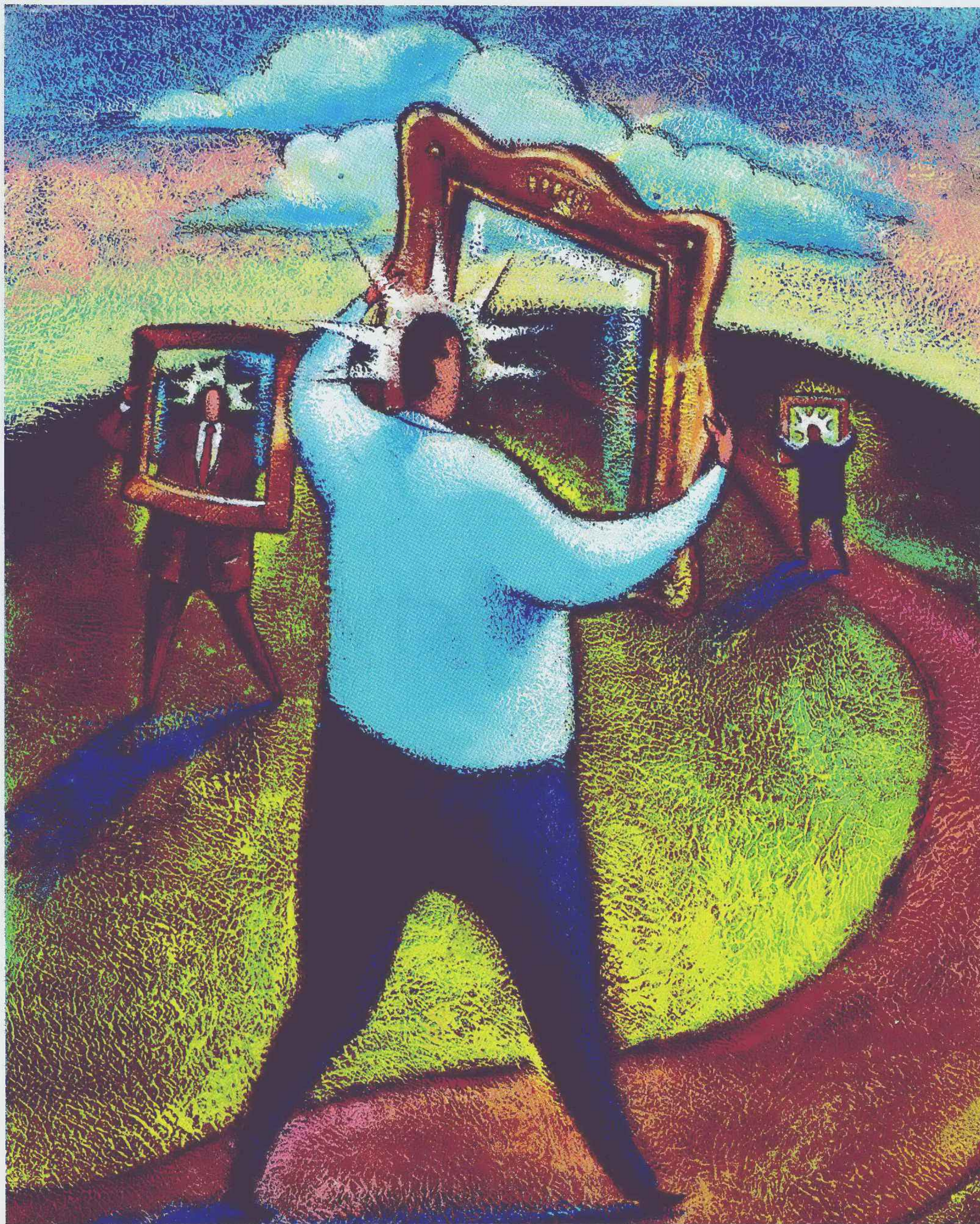
On remand, the Court of Appeals said that under ERISA, an employee may bring a civil action for enforcement to obtain "appropriate equitable relief" to redress violations. Ms. McLeod argued that because her claim was to remedy a fiduciary breach, the phrase "appropriate equitable relief" should include monetary relief in the form of compensatory damages. The court pointed out that Ms. McLeod was not seeking "equitable relief" such as an injunction or restitution. Her claim essentially was a claim for negligence for failing to notify her in a timely manner of her right to elect cancer coverage, the court said. Thus, the court concluded she was not entitled to relief under ERISA. The trial court judgment was affirmed.

McLeod vs. Oregon Lithoprint Inc., 9th U.S. Circuit Court of Appeals, Dec. 20, 1996 (*BI*/02/Au.-$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.

PROPERTY/CASUALTY

EMPLOYEE BENEFITS



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Workers comp payments vary widely in Tennessee: Study

By MEG FLETCHER

A recent study highlighting a broad disparity in workers compensation benefit payments awarded by judges in Tennessee is prompting more research there.

Depending on the judicial district, a typical injured worker receiving permanent partial disability benefits or a lump-sum payment "would receive 5.7 times as much in the most generous district as in the least generous one," according to a study published last month by the Workers Compensation Research Institute.

"Even ignoring the most extreme districts, it would not be unusual for the typical worker with a typical injury to receive twice as much in more generous districts as in less generous ones," according to WCRI Senior Economist Leslie I. Boden, author of "Permanent Partial Disability in Tennessee: Similar Benefits for Similar Injuries?"

Two factors contribute to the disparity in Tennessee, according to the WCRI report, which was based on 1990 and 1992 injuries.

Tennessee and Alabama are the only states with court-administered systems for resolving workers comp disputes. Consequently, more judges hear fewer workers comp cases than in most other states, which use specialized adjudicators in separate systems to resolve workers comp cases.

In addition, "the Tennessee statute offers judges little guidance on how to transform physician impairment ratings into permanent disability awards," the Cambridge, Mass.-based WCRI said.

WCRI researchers also found that defense physician ratings appear to have "little effect" on the final outcome of a case. However, when a claimant's physician provided an impairment rating, the final PPD benefits were increased an average of $2,900.

Judicial districts in the eastern part of the state tended to be more generous, the 37-page study found, though it could not pinpoint why. Researchers found no correlation between higher awards and urbanity said Ann Clayton, the WCRI's deputy director.

The WCRI study was unable to gauge the impact of the caps since 1992 because that data was unavailable to researchers, according to Ms. Clayton.

To follow up, the Tennessee Workers' Compensation Advisory Council is researching case outcomes since then, said Carter Witt, a council leader and president of the Tennessee Assn. of Business in Nashville.

The association hopes to complete the project by early summer, he said. "It's a slow process" because of the lack of uniformity in recordkeeping, he added.

The WCRI study, which advisory council leaders requested last year, analyzed 831 injuries from 1990 and 1992 involving PPD settlements or awards. The study did not include 1991 data.

To simplify comparisons among judicial districts, WCRI researchers defined a typical injured worker as a 38-year-old person who suffered a back strain in 1990 leading to 20 weeks of lost time and a permanent impairment rating of 7% from the worker's treating physician. The worker eventually returned to the same employer at the same wages.

The study also tried to gauge the effectiveness of legislation that took effect in 1992 that required final permanent disability ratings for unscheduled injuries be no more than 2.5 times impairment ratings for workers who return to work at the pre-injury wage or six times impairment ratings for those who do not.

Scheduled injuries involve the loss or loss of use of specific body parts such as arms and ears, while unscheduled injuries generally affect areas such as the back, neck and head.

"For late-1992 injuries, these caps had an impact on judicial decisions. However, the impact on settlements and on scheduled injuries was very small, limiting the overall effects on PPD benefits for the observed period," the study found.

Basing awards on the merits of a case is among workers comp changes that Tennessee business leaders want, Mr. Witt said.

"The majority of injured workers are getting 2.5 times their impairment ratings, whether their injuries merit it or not," he said. He described it as the "bass boat and pickup truck syndrome," because many injured workers use their benefit awards to buy such items, or could.

The business community also wants to explore better defining psychological claims and establishing an impartial panel of physicians to determine a claimant's impairment rating.

A labor representative on the advisory council was unavailable for comment.

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A request for a copy of "Permanent Partial Disability in Tennessee: Similar benefits for Similar Injuries?" must be made in writing. A single copy is free to full WCRI members and costs $50 for nonmembers. A WCRI publications list and order form is available by calling 617-494-1240.

Coverage addresses continuity in absence of leader

Products & Services

LONG GROVE, Ill.—A new program designed to provide companies with leadership continuity when the highest-ranking executive suffers a disabling illness or injury is available from Kemper Insurance Cos.

The coverage, Kemper Executive Decision, will reimburse the company for the financial resources required to locate, recruit and pay the salary of an experienced temporary chief executive. It is automatically provided at no additional cost to new and existing customers who have a Kemper HealthyReturn workers compensation policy.

Kemper Executive Decision benefits are provided for up to 12 months of disability. Coverage limits are $300,000 for companies that pay workers comp premiums between $25,000 and $250,000 and $350,000 for companies with premiums of $250,000 and up.

The coverage begins after a conventional 60-day waiting period after the onset of a disabling injury or illness. After the waiting period, expenses for the executive recruitment process and any salary will be paid up to the policy limits.

For information, contact Patrick J. Gould, corporate communications manager for Kemper Insurance Cos., 847-320-3422.

Pool security

NASHVILLE, Tenn.—Willis Corroon Corp. has developed LIFEGUARD, a new surety program for members of self-insurance pools.

Failure of the pool for any reason is covered under the LIFEGUARD program. The program resembles a surety bond, except there is no indemnity. It offers a maximum limit of $10 million per fund, with a possible maximum of $12 million for stronger pools. The minimum annual premium is $25,000.

According to Willis Corroon, the policy will not replace nor impose on a fund's reinsurance contracts. The coverage trigger is the pool's failure, not the cause of the failure.

The product covers only existing members of a pool at the point of pool failure. Departing members in good standing are able to purchase tail coverage on a 12-month renewable basis.

The insurer for the program is a New York insurer with an A+ rating from Standard & Poor's Corp. Extensions are available and, subject to underwriters' approval, the program may be extended for another 12 months at the end of each 12-month period, thus maintaining 24 months of non-cancelable coverage.

For information, contact Eric Ball, senior vp for Willis Corroon's Advanced Risk Management Services Division, 615-872-3246.

Employee phone line

MINNEAPOLIS—Ceridian Performance Partners is offering a toll-free phone line to help an employer's lower-wage workers address work-life challenges.

The program, called ResourceNet, is staffed by consultants who provide 24-hour counseling and support for such issues as finding affordable and reliable child care, securing housing and transportation, coping with relationship issues and managing money.

ResourceNet is modeled after a successful program that Minneapolis-based Ceridian designed for lower-income workers at Bethesda, Md.-based Marriott International Inc.

The program costs about $1 to $2 per employee per month.

For information, contact Jerry Neilson, public relations specialist at Ceridian Performance Partners, 612-853-3394.

Health care directory

WASHINGTON—Atlantic Information Services Inc. has published The 1998 Directory of Health Care Management Companies, which profiles more than 500 companies that provide niche managed care services to managed care organizations and government and employer groups.

Included are national and regional practice management companies and benefit management companies.

The directory contains profiles of companies offering management services for call centers, behavioral health, dental benefits, information systems, vision care, home health, prescription benefits, workers compensation, health plan operation, facility and network management, and physician practice management.

Among the data included on each company are markets served, business lines and products, key executives, types of contracts accepted, number of covered lives and number of clients, including names and addresses for each company's major clients.

The directory also is available on disk.

For information, call Susan Namovicz-Peat, manager of the directories and databases division of Atlantic Information Services Inc., 202-775-9008. BI

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Global Briefs

U.K. employers that have opted for **defined contribution pension plans** are not putting enough funds into them, according to a survey by benefit consultant William M. Mercer Ltd. In its annual survey of group pension arrangements, Mercer found that the average money purchase plan contribution is lower than the average final salary plan in the United Kingdom. The survey also found that U.K. businesses continue to prefer traditional company plans over group personal pensions. . . Rating agency Standard & Poor's has **withdrawn its rating** of Union Reinsurance Co. after the recent announcement that Union Re will be absorbed into its parent, Swiss Reinsurance Co. With the merger, all of Union Re's business will be taken over by Swiss Re and therefore carry from Swiss Re's AAA rating, said S&P. . . Figures released by China's Ministry of Civil Affairs show that 3,200 people were **killed in natural disasters** in 1996. The economic losses resulting from these disasters, including earthquakes, droughts, hailstorms and floods, are estimated at 197.5 billion yuan ($23.86 billion). . . Swiss insurance giant **Zurich Group** has received regulatory approval to open a representative office in South Korea. Located in Seoul, the office aims to obtain a license to conduct domestic business. . . Rating agency Fitch IBCA has **upgraded its rating** of Cie. de Reassurance d'Ile de France, a subsidiary of Terra Nova Group, to A from A-. Fitch said its rating upgrade reflected Corifrance's "continued underwriting excellence and improved corporate and financial standing" after Terra Nova bought it last September. . . London-based Copenhagen Reinsurance Co. (U.K.) Ltd. has appointed **two new underwriters** to extend its London market business. Stephen Coward will write construction and engineering insurance and reinsurance business—a new area for Copenhagen Re—and Mark Fagg, a hull, cargo, energy and liability underwriter, will extend Copenhagen Re's worldwide account. . . More than three-quarters of U.K. businesses are **unprepared for the Year 2000** problem, according to research commissioned by the Computing Services & Software Assn. and Microsoft Ltd. Although 67% of senior managers polled said they were "very aware" of the problem, 77% of all managers have yet to identify all the additional resources they need to solve it. In addition, the survey found that 36% of businesses have no contingency plan for the millennium bug, 29% of businesses have not commissioned a risk assessment for the problem, and 26% of businesses with fewer than 100 employees have not developed an official view on the problem. . . James Sinclair has been appointed chairman of newly formed Lloyd's agency **Trinity Syndicates Ltd.** Anthony Cooper has been appointed chief executive, and Ian Parker has been appointed finance director. In addition, Martin Rowling has been appointed deputy underwriter for syndicate 1236.

Merrett names threaten suit

By SARAH GODDARD

LONDON—Lloyd's of London names are threatening to sue their agents over what they say is an excessive reinsurance premium to close an orphan syndicate.

The 1993 year of account of syndicate 418, a large marine syndicate writing a mixed book of business and managed by Merrett Underwriting Agency Management Ltd., had been left open and is being run off because it had no successor syndicate to reinsure into. Equitas Ltd., the market's runoff reinsurer, assumed only pre-1993 liabilities.

The syndicate's runoff manager says that 418 still faces significant possible claims, that the names received an excellent profit and that the majority favored closing the year.

About 5,000 members provided enough money that the syndicate was writing against £149.5 million ($226.4 million) capacity for the year.

Managed while in runoff by Murray Lawrence Corporate Ltd., syndicate 418's business was predominantly non-marine general liability and whole account excess-of-loss reinsurance.

Results published in Limelight, produced by Sedgwick Information Exchange Ltd. on behalf of Lloyd's, show that 418—once a flagship syndicate—lodged a £24.8 million ($42.3 million) underwriting profit at the end of 1996.

That profitability concerns some of the names, who have set up a group known as the Assn. of Names on Orphan Syndicates. Last month, John Rew, a director of the association, wrote to names on the syndicate telling them incurred-but-not-reported claims were substantially overreserved and that names on the syndicate should get some of that money back.

Of about £60 million ($97.6 million) in assets, syndicate 418 had £9 million ($14.6 million) reserved for known claims and about £33 million ($53.7 million) for IBNR claims.

This figure is "over prudent" wrote Mr. Rew, particularly because just £1 million ($1.7 million) of this fund was used to pay claims last year, and most of the syndicate's business was written on a claims-made basis.

Richard Whatton, managing director of Murray Lawrence Corporate, said he does not think 418 is overreserved. Some of the professional liability contracts written by the syndicate—which was the lead for the Minet professional liability lineslip that provided coverage for the Big Six accounting firms—have notified the syndicates of losses, said Mr. Whatton.

But because of the nature of business, claims notifications have been logged at the artificially low value of only $1 because many of the potential losses the syndicate has been notified about may be dropped before they reach the courts or a settlement, and

See **Closing** on page 19

German regulator warns insurers

By DON LEWIS KIRK

BERLIN—Insurers that continue to slash rates amid market competition may face stricter regulations unless they develop better long-term strategies to ensure they can pay claims, Germany's new top insurance regulator says.

At his Jan. 12 inauguration in Berlin as president of the German Insurance Supervisory Authority, or BAV, Helmut Mueller said the drive for profits in Germany is increasing the possibility of insurer insolvency.

Mr. Mueller promised to "secure long-term insurer fulfillment" of claims-paying obligations. He warned insurers against cutting premiums and easing terms simply to compete in the market and said insurers could face more regulation if they do not police themselves better.

Mr. Mueller, formerly vp of the BAV, replaces Knut Hohlfeld, who on Jan. 1 became general secretary of the Basel, Switzerland-based International Assn. of Insurance Supervisors.

Deregulation has led to fierce competition in the German market, and rates on some risks are too low to cover potential losses, conceded Bernd Michaels, president of the German Insurance Assn., an insurance trade group. But Mr. Michaels said the situation does not require regulatory intervention, calling on the BAV to let market conditions bring rates back in line.

The BAV had "conveyed the impression it did not completely understand the implications of deregulation," which give insurers greater freedom to set policy conditions and rates, Mr. Michaels said.

Mr. Michaels vowed to fight any attempts to significantly restrict terms and conditions and called on regulators to avoid measures that respond to problems in the German market but are anti-competitive in international markets.

An Allianz A.G. Holding spokesman rejected regulators' notion that low rates are a sign of poor underwriting. "We always put profitability first. When we offer low rates, it's a good risk. Of course, no one knows how long a good risk will remain good, but we look very carefully before offering lowest rates," he said.

Regulators see greater information-gathering as a way to protect consumers, and Mr. Mueller said the BAV will give closer scrutiny to new insurance products.

Risk managers, however, do not see insurers' practices threatening company solvency. "Much of the difficulty for the BAV is theoretical," said Guenter Schlicht, managing director of the German risk management association. "We don't have any companies in serious trouble. But it could happen, of course." BI

Six-month numbers solid for Equitas

By SARAH GODDARD

LONDON—Runoff reinsurer Equitas Ltd. is performing significantly better than originally anticipated, six-month figures show.

Not only were investment returns substantially higher than the seven months to the end of March last year, but net claims paid for the six months to end September 1997 also were much lower.

Equitas opened Sept. 5, 1996, to reinsure all Lloyd's of London non-life pre-1993 liabilities as part of a rescue plan for the market.

Gross claims against Equitas were substantially lower for the period ending last September, at £1.19 billion ($1.93 billion), compared with £2.53 billion ($4.15 billion) for the seven-month period ending in March 1997.

The larger figure is due in part to one-time costs at the launch of Equitas, including the settlement of Lloyd's-related claims such as Lloyd's agents' errors and omissions coverage and individual members' personal stop-loss programs. Nevertheless, the figure for the most recent period was "significantly lower than anticipated," said Equitas Chairman David Newbigging.

Operating costs remained constant, contributing £123 million ($199.1 million) toward the cost of claims for the six months ending in September, compared with £144 million ($236.1 million) for the preceding seven-month period.

At the same time, reinsurance recoveries, at £460 million ($744.5 million), compared with £840 million ($1.38 billion) for the seven-month period, "were higher than expected," said Mr. Newbigging.

"We have not encountered any major surprises, nor have we identified any external event, trend or emerging issue that we believe would endanger the group's financial stability," he added. But he warned that many of Equitas' long-tail liabilities, such as asbestos and pollution, remain inherently uncertain.

The jump in investment income, to £525 million ($849.7 million) from £256 million ($419.7 million), came partly because the portfolio of assets Equitas received at its launch produced low yields during the reinsurer's first seven months, Mr. Newbigging explained.

Equitas soon will conduct a full actuarial review of its loss reserves, coinciding with its March 31 fiscal year end, for the production of the reinsurer's first annual report.

Flood losses in Australia mount

By YVETTE HIGGINS

TOWNSVILLE, Australia—Insurers estimate that flood losses in and around an Australian port city will cost them at least $80 million Australian ($53.4 million), but businesses say it will be many months before total claims are known.

Torrential rain from tropical cyclone Sid this month flooded Townsville in north Queensland, about 700 miles up the coast from Brisbane, and other places along rivers in the area. More than 36 inches of rain—more than half Townsville's annual average rainfall—fell Jan. 10.

Townsville, with a population of more than 75,000, is a major port city, exporting minerals, beef, wool, sugar and timber.

Alan Mason, national chief executive for the Sydney-based Insurance Council of Australia trade association, said policyholders already have filed thousands of claims for storm damage to businesses, property and vehicles, and insurers have sent adjusters to Townsville to ensure quick claims settlements. According to Mr. Mason, initial estimates of insured losses totaled $50 million Australian, but that figure has been raised to $80 million Australian.

In Townsville, roads and rail lines were damaged and drinking water supplies were cut off in some areas following broken pipelines. Power was interrupted but was restored within a few days to most areas. A spokesman for Queensland's premier said the government would reconnect

See **Flooding** on page 19

AP PHOTO/CAMPBELL SCOTT, NEWS LTD.

The north Australian town of Ingham was flooded when tropical cyclone Sid caused torrential rain to fall in north Queensland.

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REQUEST FOR PROPOSALS

REQUEST FOR PROPOSALS
No. 150
CONSULTANT TO ASSIST IN EMPLOYEE BENEFITS PROGRAM

Miami-Dade County, through its Department of General Services Administration, Risk Management Division is seeking the services of a benefits management consulting firm to provide County staff with expertise and consulting assistance, as needed, on a variety of issues relating to a full spectrum of employee benefits. **The Request for Proposal (RFP) document is available from GSA/Procurement Management Division, Bids & Contracts Section, 111 N.W. 1st Street, Suite 2350, Miami, FL 33128-1989, or by contacting said office at (305) 375-1259.** A pre-proposal conference is scheduled for February 6, 1998 at 10:00 a.m. (local time), at 111 N.W. 1st Street, 18th Floor, Conference Room 18-2. Attendance is recommended, but not mandatory. The contact person for this RFP is Paula H. Mandell-Johnson, Procurement Contracting Officer, at (305) 375-3903. The deadline for submission of proposals is Friday, February 20, 1998 at 12:00 Noon (local time) at the office of the Clerk of the Board of County Commissioners.

The anticipated term of the agreement is for a period of three (3) years with two (2) extension periods of one (1) year each, exercised at the sole option of the County. There is a selection factor for certified Black, Hispanic and Women-owned Business Enterprises.

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Business Insurance

Circulation Breakdown
Commercial Consumers

Category	Count
Administrative:	
CEO's, Presidents, and Owners,	2,499
Vice Presidents, General Managers and Other Administrative Personnel	4,696
Financial:	
Chief Financial Officers and Vice Presidents of Finance	3,084
Secretaries, Treasurers, controllers and other Financial Personnel	3,028
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	15,387
Sub-total	**28,694**
Associations	305
Government, Unions and Educational Institutions	1,046
Commercial Consumers Sub-total	**30,045**
Insurance Agents and Brokers	8,462
Insurance Companies	7,336
Accountants, Actuaries, Attorneys & Consultants	2,823
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers	1,648
Others Allied to the Field	915
Total Qualified	**51,229**
Non-qualified/Paid Subscriptions	31
Single Copy Sales	2
TOTAL CIRCULATION	**51,262**

★ Source Business/Occupational breakdown of qualified circulation, May 26, 1997 Issue, as submitted to BPA for June 1997 BPA Publisher's Statement

LEGAL NOTICE

LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA

IN THE PETITION OF CHRISTOPHER JOHN HUGHES AND PHILIP JOHN SINGER, AS JOINT PROVISIONAL LIQUIDATORS OF FREMONT INSURANCE COMPANY (UK) LIMITED

Case No. Bk. No. MI-00139-TD

PLEASE TAKE NOTICE THAT a hearing will be held on February 11, 1998 at 10:30 a.m., or as soon thereafter as counsel may be heard, before the Honorable Thomas B. Donovan, United States Bankruptcy Judge, at the Bankruptcy Court, Edward R. Roybal Federal Building, 255 E. Temple Street, Los Angeles, California 90012, to consider the motion of Christopher John Hughes and Philip John Singer, as joint provisional liquidators (the "Provisional Liquidators") of Fremont Insurance Company (UK) Limited (the "Company") for entry of an order (the "Order") pursuant to 11 U.S.C. § § 105 and 304(b) providing permanent injunctive relief to give effect in the United States to the proposed Scheme of Arrangement dated October 24, 1997 (the "Scheme of Arrangement") between the Company and its Scheme Creditors (as defined in the Scheme of Arrangement). The Scheme of Arrangement was proposed pursuant to section 425 of the Companies Act of 1985 of Great Britain (the "1985 Act").

On or about October 31, 1997, the Scheme of Arrangement and the Explanatory Statement dated October 24, 1997 (the "Explanatory Statement" and, together with the Scheme of Arrangement, the "Scheme Document"), required to be sent to Scheme Creditors under section 426 of the 1985 Act, were mailed to all known policyholders, creditors, agents and brokers of the Company. The provisions of the Order requested by the Provisional Liquidators are set forth on pages 147 through 149 of the Scheme Document.

Pursuant to an order of the High Court of Justice of England and Wales (the "High Court"), the Provisional Liquidators convened a meeting of the Scheme Creditors, who approved the Scheme of Arrangement by the required majority on December 15, 1997. The Provisional Liquidators intend to apply to the High Court for approval of the Provisional Liquidators' Petition to Sanction the Scheme of Arrangement on or shortly after January 26, 1998. If the High Court sanctions the Scheme of Arrangement and the Bankruptcy Court enters the Order, it is expected that the effective date of the Scheme of Arrangement will be sometime in February, 1998.

Copies of the Scheme Document, the form of the Order to be presented on the Return Date, the section 304 Petition dated October 29, 1992, which was filed to commence the above captioned case, and the Memorandum of Points and Authorities in Support of the Motion are available upon written request to the Provisional Liquidators' U.S. counsel:

Jonathan F. Bank, Esq.
Peter R. Chaffetz, Esq.
Chadbourne & Parke LLP
Fremont (UK) - Permanent Injunction
601 South Figueroa Street, Suite 1600
Los Angeles, California 90017

PLEASE TAKE FURTHER NOTICE that any and all objections to the Motion must be in writing, filed with the Bankruptcy Court, with two (2) copies to the Chambers of Bankruptcy Judge Donovan, and served so as to be received by counsel to the Provisional Liquidators on or before February 4, 1998.

Flooding

Continued from page 17

water and power and repair government-owned infrastructure.

On Magnetic Island, a holiday resort island off Townsville's coast, rain triggered a landslide that demolished 10 units and damaged 20 more at the Magnetic Island International Resort. No one was injured. Neither details of the resort's insurance coverage nor a damage estimate were available.

QNI Resources Pty. Ltd., which has a cobalt and nickel refinery at Yubulu, about 15 miles north of Townsville, was forced to close the plant three times because of flood damage. QNI Resources is a subsidiary of Brisbane-based metals miner and processor QNI Ltd.

The refinery normally operates 24 hours a day but was closed Jan. 10 because of minor property damage. It reopened the next day, said Mark Irwin, QNI Ltd.'s corporate secretary. Three days later, the refinery closed for six hours because of damage to its power plant and other infrastructure. The third closure was Jan. 16 because of potential environmental damage from high water levels in the tailings dam, where mining waste is stored. The plant still is closed.

Mr. Irwin said he expects QNI's property and business interruption policies to respond. He would not identify the insurer nor disclose coverage limits or a damage estimate, but he said the maximum lost revenue would total $1 million Australian ($667,800) a day.

Townsville retailers in the central business district were hit hard. Warren Lim, part owner and store manager of Freedom Furniture in Townsville, said the water had damaged 75% of the store's stock.

The store is part of a national franchised chain, run by Sydney-based Freedom Furniture Ltd. Mr. Lim said his insurer, which he would not identify, had verbally agreed to meet the claim. The value of the store's inventory totals $500,000 Australian to $700,000 Australian ($333,900 to $467,460), he said.

Mr. Lim had to close his store for a week but said his business interruption policy should respond.

The basement parking lot was flooded at Castletown Shoppingworld, another center in Townsville. Center Director Jim McConaghy said the 670-space lot was flooded Jan. 10 but reopened four days later.

Mr. McConaghy said the center's insurer, Brisbane-based Suncorp General Insurance Ltd., still needs to complete a loss assessment report, but the center has started repairs on underground damage.

While most commercial policyholders do buy flood coverage, either separately or as an endorsement to property coverage, the majority of flooded homes will not be insured. Australian domestic insurance policies do not include flood coverage as a standard insured peril.

But, a spokesman for the Insurance Council of Australia said about 98% of claims would be insured because most losses could be attributed to storm damage, despite the extensive flooding. Also, in cases where flooding cannot be determined as the definitive cause, insurers probably will decide in the policyholder's favor, he said.

While some state government emergency relief is available for homeowners, neither the state nor federal government has any program to cover property and contents damage for uninsured property owners. BI

Mobil covered for Nigeria spill

LONDON—Insurance will cover Mobil Corp. for still-undetermined losses from an oil spill from an offshore pipeline in Nigeria, the company says.

The 40,000 barrels of oil leaked Jan. 12 from one of three underwater pipelines connecting the production platform called Idaho to the Qua Iboe Terminal in the state of Akwa Ibom in southeast Nigeria.

Mobil said the pipeline was isolated as soon as the leak was detected and that by last Wednesday, about 500 barrels of oil, or only a little more than 1% of the total spilled, had reached the shoreline. More than 90% of the oil had been dispersed or evaporated naturally, it added.

A London-based spokesman for Mobil's African business said efforts to deal with the leak, which involved the Nigerian authorities, oil industry partners, and experts flown in from abroad, have been "very swift and fairly successful." He said it was impossible to estimate the cost of the incident, though Mobil is covered by insurance "for this type of loss."

The cause of the leak still was under investigation last week.

Nigerians living in the area have reacted angrily and claimed the spill might hurt the local fishing industry. But Mobil's spokesman said, "We have no evidence, at this state, of fishing being impacted."

However, Paul Caldwell, chairman and managing director of Mobil Producing Nigeria, said Mobil will compensate individuals who have valid claims.

Mobil produces about 700,000 barrels of oil a day in Nigeria, of which 40% is its own and the remainder belongs to partners. The company's spokesman said it is anticipated oil production will be down about 100,000 barrels a day for the estimated four weeks it will take to repair the leak.

—By Edwin Unsworth

Islands welcome financial review

By EDWIN UNSWORTH

LONDON—Guernsey, Jersey and the Isle of Man are welcoming U.K. government plans to review of their financial legislation and regulatory systems, including their insurance operations.

While the review is aimed primarily at examining tax-avoidance and illegal activities, such as money laundering, it will look at all aspects of regulating banking, insurance and other financial services.

U.K. Home Secretary Jack Straw announced in the House of Commons last week the wide-ranging review to "assess the contribution made by the current laws and systems to the economic well-being of the Islands themselves and of the United Kingdom."

Guernsey and Jersey in a joint statement said the domiciles welcome a review as a way to demonstrate the soundness of their insurance operations. The Isle of Man similarly supports the review.

"I think in general the U.K. politicians are quite ignorant of what's going on in Guernsey. It's an opportunity for us to demonstrate that our regulations are quite a lot better than in a lot of countries, including the U.K.," said Steve Butterworth, Guernsey's superintendent of insurance.

Mr. Butterworth said that because Guernsey—a leading European captive domicile with more than 300 captives—is so small, it is better able to work closely with insurers and their managers, and his department is more aware of what companies are doing day-to-day.

He pointed out that Guernsey is a member of the executive committee of the Basel, Switzerland-based International Assn. of Insurance Supervisors. Its 13 members include the United States, Canada, Germany and France.

Guernsey also chairs the offshore group of insurance supervisors, which last May introduced guidelines for fit and proper behavior.

The Isle of Man issued a statement similarly welcoming the review as something that will prove the soundness of its financial service regulation.

Don Gelling, the Isle of Man's chief minister, said in the statement, "We are confident that the review will show that our legislation and regulatory systems compare favorably with those of other reputable offshore jurisdictions."

He added that the review could even do a lot to remove misunderstandings and misconceptions about the island as an offshore business center and "to draw a clear distinction" between the Isle of Man and some offshore centers whose business and regulatory regimes cause legitimate concerns.

As Crown Dependencies, the Isle of Man and the Channel Islands, which include Guernsey and Jersey, come ultimately under U.K. control. Mr. Straw said the review was necessary because any deficiencies in the financial regulations of the Crown Dependencies "would be seen, however inaccurately, as reflecting poorly on the standard of regulation in the U.K. itself."

The review will be conducted by Andrew Edwards, a former Treasury official. It is expected to take six months, after which Mr. Edwards' main conclusions will be published. BI

Closing

Continued from page 17

others that do not get to the courts will not necessarily result in a victory for the plaintiff, he said.

Members' agency analysts agree with Mr. Whatton that 418 is not excessively reserved. The syndicate has a very mixed book of long-tail business, some of which will not close for another 15 to 20 years. And certain portions of the business, as a marine syndicate, were written on an occurrence form rather than claims-made basis, they note.

In addition, member claims that the reinsurance to close premium was too high run counter to the fact that reinsurance for orphan syndicates is very competitive.

Although Mr. Whatton received about 125 letters from members of syndicate 418 complaining about the deal, 418 proceeded to be reinsured into Liberty Syndicate Management Ltd.'s syndicate 282, effective at the end of 1997.

Of two quotes received for the reinsurance to close, Liberty's was the cheapest at £42 million ($68.3 million), according to a letter Mr. Whatton sent out to names unhappy with the decision. That quote had been reduced by £9 million in the light of an actuarial analysis of the quote by Coopers & Lybrand and issued earlier in December, though it remained "some £10 million ($16.3 million) over an actuarial assessment," of liabilities, wrote Mr. Whatton.

In addition, by effecting the reinsurance to close at the end of the year, it meant that possibly £4 million ($6.5 million) payable in profit commission to the Merrett managing agency had been saved, he pointed out.

As a result of the deal, £28 million ($45.6 million) in profit is being released to syndicate members, representing an 18.8% profit that "would have put the syndicate in the top quartile of marine syndicates for the 1993 account," wrote Mr. Whatton.

"We have an obligation to attempt to close the syndicate if it is in the best interest of all names," explained Mr. Whatton. That obligation is even greater if the majority of names want it closed, he said, as shown by the decision at the meeting with members' agents.

For a number of Lloyd's members, closing 418 is the end of their association with the market, and members' agents have said that for many it has come as a great relief.

The names' association also is considering starting action against members' agents for not acting in the best interests of members of 418 when they voted overwhelmingly to accept the Liberty quote. But agents have defended their decision, passed by a 99% majority in a meeting of agency representatives. "418 is still an extremely good profit," said Sally Coryn, a director at Murray Lawrence Members Agency Ltd.

Philip Maidens, director of syndicate research at Sedgwick Oakwood Members Agents Ltd., pointed out that because of the long-tail nature of the account, it is still uncertain if the premium paid will be enough for the claims yet to be lodged. BI

Survey shows U.K. pessimism

By EDWIN UNSWORTH

U.K. non-life insurers plan to spend more money on information technology and marketing this year in a bid to offset the effects of the soft market, a new survey shows.

That was among the findings of the survey, which indicated that optimism in Britain's financial services sector is falling for the first time in two years.

The survey included responses from 230 financial services companies, including 33 non-life insurers, which were the most pessimistic group among the survey respondents.

According to the quarterly survey, conducted last month by the Confederation of British Industry and accountants Coopers & Lybrand, two-thirds of non-life insurers reported revenues down in the final quarter of 1997 compared with the previous three months.

For the first quarter of 1998, 7% said they expected "business volume" to increase, while 30% expect a decrease. The remainder expected no change.

Three-quarters of the non-life insurers that responded said premium volume for the last quarter of 1997 lagged behind the third quarter. More than half of the non-life respondents—57%—expect premiums to fall this quarter compared with the last quarter of 1997, with only 3% expecting an increase. The remainder expect volume to remain level.

Asked what factors are likely to limit their ability to increase business in 1998, non-life insurers responding unanimously cited domestic competition, 47% cited overseas competition, and 76% expressed concerns about demand.

The Assn. of British Insurers responded that the findings appear to reflect the general gloominess of the market at the end of 1997. An ABI spokesman said the survey was undertaken at a time when the industry was suffering underwriting losses, accompanied by "a genuine recognition" that while rates are too low, competitive pressure means that this cannot be easily achieved.

To help improve results amid competitiveness, non-life insurers plan to invest more in marketing and information technology. Some 55% of non-life insurers plan to increase marketing expenditures in 1998, and 84% plan to increase their spending on information technology.

Almost all insurance brokers, however, are optimistic, the survey indicates: 96% said current revenues are equal to or better than the same period a year ago.

Eighty-two percent of brokers said the sterling value of their fee, commission or premium income was unchanged in the last quarter of 1997, and 85% expect it to remain unchanged in the current quarter. Business volume rose in the last quarter for 76% of the respondents, and the same percentage said they expect it to rise this quarter.

Overall in the U.K. financial services sector, 25% of companies are less optimistic about the overall business situation in their sector than they were three months earlier, compared with 16% who are more optimistic. Last quarter, equal percentages were more optimistic and less optimistic.

Sudhir Junankar, the CBI's associate director of economic analysis, said the survey shows business confidence in the financial services sector has fallen for the first time in more than two years, reflecting "the marked slowdown in the growth of business volumes, which are now growing at their slowest rate since March 1996."

•

Subscriptions to the quarterly "CBI-Coopers & Lybrand Financial Services Survey," cost £325 ($531) a year for non-CBI members. A single copy is £83 ($53) for non-members. Contact CBI Business Survey Unit, Centre Point, 103 New Oxford St., London WC1A 1DU; 171-379-7400.

St. Paul

Continued from page 1

USF&G Chairman Norman P. Blake Jr., who is widely credited with turning the company around, will serve as vice chairman. Patrick A. Thiele, executive vp of the St. Paul Cos. and CEO of its Worldwide Insurance Underwriting Operations, will head insurance underwriting.

Based on 1996 data, the combined company will have $7 billion in premium volume, of which about $5.5 billion is from commercial property/casualty business. St. Paul said it anticipates substantial expense reductions from the merger and that it expects the deal to modestly boost earnings per share in 1998, before a $300 million to $500 million restructuring charge. A more significant earnings-per-share boost is expected in 1999.

"We found USF&G to be very attractive" for a number of reasons, said Mr. Leatherdale. "One is it's a fairly similar company to our own" and like St. Paul has built a large specialty business, he said.

"Two is they have a geographic focus which complements ours," he said. While both are national companies, Mr. Leatherdale explained, USF&G is particularly strong in the East and Southeast, while St. Paul's traditional strength is its base in the Midwest and the Mississippi valley.

"They've got a superb reinsurance operation that is a wonderful complement to our in-house management skills and the product lines they have," he added, referring to Morristown, N.J.-based F&G Re Inc.

Based on F&G Re's and St. Paul Re's combined nine-month 1997 net written premiums of $936.4 million, the combined operation would become the nation's fourth-largest reinsurer, according to *Business Insurance*'s ranking for the nine-month period (*BI*, Dec. 8, 1997).

Observers say St. Paul has focused more on traditional reinsurance business while F&G Re has been active in the finite risk reinsurance market.

"Fourth, they have a presence in London, which we continue to build," he said of F&G Re. St. Paul owns two Lloyd's managing agencies, Cassidy Davis Syndicate Management Ltd. and Gravett & Tilling Syndicate Management Ltd., while USF&G Corp.'s F&G (UK) Underwriters Ltd. has an 80% equity in managing agency Ashley Palmer Syndicates Ltd.

"We looked at this and we said this truly represents a very, very definite opportunity for two firms to strengthen themselves and become truly a powerhouse in the marketplace," said Stephen Lilienthal, executive vp and chief underwriting officer of USF&G.

"Frankly, we will have a broader and expanded range of products and services to offer. I think we will have stronger platforms from which to deliver products and services" and increased distribution and stronger backroom operations, Mr. Lilienthal said. "Finally, we see significant strengthening of our skill base and technical expertise," he said.

Mr. Lilienthal said that among USF&G's particular strengths is the alternative risk market, through its Discover Re Managers Inc. unit; financial services; property catastrophe; and non-standard automobile. St. Paul, for its part, is a leader in the medical malpractice market, in which USF&G does not participate, he said.

Both companies have strong construction and surety businesses and are active in the technology and public sector businesses, as well as reinsurance, he said.

In December, USF&G consummated its acquisition of San Antonio-based Titan Holdings Inc., which focuses on non-standard automobile and public entity business. USF&G said last week it is extending until Feb. 11 the period during which Titan shareholders can decide to receive stock and/or cash in connection with the acquisition.

Although Mr. Blake is credited with improving USF&G's performance since he joined the company in 1990, growth has been stalled by the soft market, leading USF&G to seek a merger.

All companies are having difficulty growing organically, said Mr. Lilienthal. "The market has deteriorated and continues to deteriorate, loss ratios have been kicking up, as have been expenses, and really, there does not seem to be any relief in sight in the foreseeable future.

"There's a ton of capital available right now and no sign of relief with respect to competition. The upshot is, you're faced with very few opportunities, very few alternatives," he said.

USF&G had explored strategic acquisitions and "looked into totally changing the whole mix of our portfolio and the whole way we configured ourselves," said Mr. Lilienthal. Merging with St. Paul, he said, represented an opportunity to "really leverage our existing strength."

For its part, St. Paul needed a large acquisition to achieve desired economies of scale, analysts say.

"The market is so competitive that companies are finding that they either have to be on the prowl and acquire, or be acquired, because the name of the game is economy of scale. In order to compete, you need size, and you need market presence, and you need cost efficiency," said Gloria Vogel, senior vp with Advest Inc. in New York.

'This truly represents a very, very definite opportunity for our two firms to strengthen themselves and become a powerhouse in the marketplace,' says USF&G's Stephen Lilienthal.

"Certainly on paper it looks like a deal made in heaven," said Michael Frinquelli, an insurance analyst with Renaissance Fund Advisers in New York.

"I think once the dust settles on them acquiring the business, then it's going to be very beneficial to St. Paul's earnings growth," said Bob Branche, of the Branche Research Group in Morrisville, Pa.

"I think it's good for St. Paul," agreed Michael Lewis, senior insurance analyst with Dillon Read & Co. in New York. "I think they made an important strategic acquisition at what appears to be a very advantageous price."

It makes St. Paul "a much more important player in the rapidly consolidating property/casualty industry, where size seems to have some merit," Mr. Lewis said.

Some integration problems can be expected, however.

"It will be a challenging integration effort, to say the least," said John L. Ward, chairman and CEO of the Cincinnati-based Ward Financial Group.

"I would expect there will be heavy cost-cutting efforts as part of the process of integration," he said. "I would not be surprised to see some resulting divestitures in the next several years as a result of this combination.

"At a minimum, St. Paul Cos. should be cautious to keep their eye on that ball, because they do have some competitive advantage in certain special lines, but they could lose it easily if all efforts are focused on this integration," Mr. Ward said. St. Paul is one of the Ward's 50 property/casualty insurers, which the analyst identifies as the best at consistently balancing profitability and solvency.

St. Paul officials say they do not anticipate any significant integration problems. In addition to dealing with a greater geographical spread, "there are the usual systems issues," said Mr. Leatherdale. "We don't think that they are substantial."

While there are issues involving agents, products and systems, "frankly, I think the fact we have such compatible organizations from a cultural and strategic standpoint" means integration should not be a big problem, said Mr. Lilienthal.

The merger is not expected to have a broad impact on the market.

"I don't think this is going to change the landscape as far as the commercial buyer is concerned" said Ronald Frank, an analyst with Smith Barney in New York. "I think you would have to see a good deal more consolidation in the industry before you would see that happen."

"I don't think of either of them as being really big in (the Fortune 1000) market. That's more AIG, CNA, Travelers," said Weston Hicks, an analyst with Sanford Bernstein & Co. in New York. "I don't see a huge impact on pricing for the commercial buyer," he added. "There are still plenty of choices out there."

USF&G and St. Paul "haven't been head-to-head competitively in most areas with AIG, Reliance National, CNA," said Mr. Frinquelli. "They have been more interested in the middle market and specialty markets."

Robert S. Esenberg, risk manager for the City of Virginia Beach, Va., which has property coverage with USF&G Corp., said: "USF&G has been a good company to work with. We've enjoyed a very positive, fairly long-term relationship, and we'll hopefully keep that going.

"I don't think the mergers that we're seeing are really going to have any long-term, negative impact on risk managers' ability to obtain quality products and services for the industry.

"I think it's probably a positive move from the standpoint of providing excess capacity, if you will, and hopefully ending up with broader, more customer-oriented programs and coverages."

Paul Gross, vp of finance with risk management responsibilities for the Atlantic Group Inc. in Norfolk, Va., said, "It takes an extra competitor away from the arena, if you will." The Atlantic Group is a current USF&G policyholder for several lines of business and has used St. Paul in the past.

"More importantly, it depends where the culture goes," said Mr. Gross, whose company provides labor support services to electrical utility companies. St. Paul, he said, is "known as a more staid, conservative company, somewhat inflexible in their insurance processes vs. USF&G, which is a little more flexible. It will be interesting to see what the outcome of a merger is."

Brokers also view the deal positively.

"I'm very positive" about the deal, said Bernard Mizel, chairman and CEO of USI Insurance Services Corp. in San Francisco. "We do a lot of business with St. Paul, one of our principal markets, and we think it's a real good fit. The companies are complementary and I think this will very much enhance our relationship with St. Paul.

"We're particularly interested in the area of surety, which is a strong suit for USF&G. This will add strength for St. Paul and give them an opportunity to further penetrate the middle market."

"The other area they complement each other is from a geographical standpoint. Where USF&G is really strong, St. Paul didn't have a major presence. This gives a much better geographical spread to St. Paul," said Mr. Mizel.

"I would certainly view it as a positive move," said Ken Pinkston, chairman and CEO of Willis Corroon North America in Nashville, Tenn.

"I think it's not totally unexpected and certainly St. Paul has a strong balance sheet," he said. If the deal is implemented properly, "probably it will be good for the industry."

"St. Paul and USF&G are both important markets to us, but neither one was an overwhelmingly important market. Maybe the combination will create a lot of opportunities for us," Mr. Pinkston said.

More merger and acquisition activity among primary insurers is expected to follow.

"It remains to be seen how intensive the next wave is, but I do think this signals a new chapter in which rational management recognizes that it will be very difficult to grow earnings, which is what shareholders look for, at least in the public domain," said Eric Simpson, senior vp at A.M. Best Co. in Oldwick, N.J.

"There's going to be increased pressure for companies to rationalize their being in the business or settling for lackluster (returns on equity)," said Mr. Simpson.

"I think that further acquisition activity is probably warranted, given the currently competitive operating environment," according to Kenneth Zuckerberg, a vp at Moody's Investors Service Inc. in New York. BI

Political

Continued from page 2

& Insurance Management Society Inc.

Political risk coverage encompasses risks for political events, such as confiscation or nationalization of property by a foreign government, and contract risks, such as not being able to get money out of a foreign country, non-payment by a government or cancellation of an import/export license.

Also, policies cover losses from divesting operations in another country if it is required by U.S. law. In addition, political risk covers property loss from wars, strikes and terrorism.

"This gives the coverage you don't normally have under your property program," Mr. Horne explained.

Mr. Mulligan said that in evaluating projects to insure, eight general factors are considered: political risks, economic risks, financial analysis, legal and commercial issues and risks, technical risks, natural and physical risks, environmental risks, and social risks.

'We try to avoid Swiss watches in the jungle,' William Mulligan says of underwriting risks too complex for local staff.

For example, a technical risk arises when a project is too sophisticated for the workers of that area to support. "We try to avoid Swiss watches in the jungle," Mr. Mulligan said. Instead, AIG prefers risks that aren't too ambitious for the local people's abilities.

The most important risk is environmental, he said. "This is singularly the biggest reason for government interference with projects today," he noted.

This situation commonly occurs when a popularly elected government succeeds a dictatorship that signed agreements for foreign projects. If the project creates an environmental disaster, the new government has a pretext for kicking out the foreign investor. As a result, Mr. Mulligan said his company scrutinizes environmental impact statements when evaluating projects.

Mr. Horne of J&H Marsh & McLennan said many types of companies buy political risk coverage. "There is no common thread that goes through the various purchasers," he said.

Some industries, however, such as telecommunications, utilities and mining, buy it more frequently, as their projects commonly are nationalized, he explained.

Companies investing in developing countries for the first time also frequently buy the insurance, he said. And sometimes banks require the coverage as a condition for making a loan. Also, companies that have an overseas plant vital to their overall operations buy coverage, he added.

Despite its broad coverage, political risk insurance does not cover everything, Mr. Horne said. Policies do not cover a bad economy, devaluation of a foreign currency, a bad investment or a bad contract with partners or suppliers.

"Political risk coverage cannot make up for a bad contract," he said. BI

ADVERTISER INDEX

Issue of January 26

ADVERTISER	PAGE #
ACMAT Corp.	24
Burnham Systems	16
Business Insurance	11,12,15
Carvill America, Inc.	6
GAB Robins	9
Gerling America	4
Technical Insurance Services	16
USF&G	7
Wausau Insurance Company	5

Commentary

Benefits of cloning sure to multiply

The clones are coming. They're inevitable.

That's because it's human nature to tinker, and what could be more challenging than tinkering with human nature?

We're kidding ourselves if we expect scientists to draw the line at trying to clone farm animals or invertebrates. While Dr. Richard Seed's vision of thousands of seedlings running around Chicago may not become a reality in his lifetime, attempts to clone humans are bound to occur.

If they succeed, our current employee benefits model thankfully is readily adaptable to help employers respond to an influx of clones and the issues they raise in the workforce.

Of course, there are bound to be some disputes over whether private employers should have to cover the costs of a voluntary procedure like cloning, or whether employers must extend benefits to an employee's dependent clones. However, ERISA and COBRA no doubt will be revised and extended to mandate all such contingencies.

There also will be controversy as the first pioneering employers formally recognize employees' cloning relationships and extend benefits to better meet the needs of their diverse workforce. But that will surely pass after a few boycotts fade from the news.

Paul D. Winston

With very little tinkering, the insurance industry and benefit professionals will be able to adapt current benefits to meet the needs of tomorrow's workforce.

Take life insurance, for example. Individual and group life and accident policies will be written at competitive rates thanks to new "self-insured retentions." The coverage will not kick in, say, until a two-clone retention has been exhausted.

The managed care industry, smelling opportunity, will develop a new carve-out specialty: Clone management. Participants in managed care plans will see a gatekeeper, who will determine whether to allocate precious plan resources to curing ailments, such as a recurring flu bug.

Participants who don't pass this cost-benefit analysis will be "retired" and replaced by a fresh clone that has been genetically altered to resist all flu strains, even those from the Eastern Hemisphere. Think of the enormous "savings" to the employer in terms of unspent health care dollars, thanks to clone management.

Employees who prefer to keep the original equipment around a bit longer will have that option, but will be forced to pay usurious rates for traditional indemnity coverage.

As we all know, clones don't grow overnight. And for those laggards who don't clone themselves at an early age, there will be clonecare needs and issues.

Naturally, savvy employers that wish to remain competitive for top talent will offer onsite clonecare centers.

Not only will this yield happier, more productive employees, but the company also will have an excellent opportunity to train the eventual replacement. Think of the possibilities! While caring for clones, employers can eliminate some nasty habits of the original worker, such as caffeine addiction, an inability to retrieve voice mail messages or overenthusiasm for casual day.

The concept of the perpetual employee, made possible by cloning, also means never having to worry about retirement savings.

Imagine how that 401(k) plan will continue to grow, thanks to successive generations of clones deferring the maximum allowed by law and to the beauty of compound interest. Some especially savvy investors will be able to retire early and let their clone do all the work.

And we can forget about baby boomers being left high and dry by Social Security: Clones will be subject to FICA tax like everyone else, thereby assuring that pay-as-you-go will remain a viable retirement funding method for the government forever.

It's clear, therefore, that when cloning arrives, we'll be ready. Thanks to cloning, life is cheap.

Publisher and Editorial Director Kathryn J. McIntyre and Editor Paul D. Winston write columns on alternate weeks.

Claims

Continued from page 3

9.8% to 11 per 100 workers compared with 1995. The injury rate among state employees fell 3.4% to 8.4 injuries per 100 workers.

Another big drop was found in the number of claims resulting in no lost work time, with just over 400,000 of these cases in 1996, 5.6% less than in 1995. Injuries and illnesses resulting in restricted work activity or loss of at least one day of work declined 4.2% to 384,300 cases in 1996 compared with 1995.

Detailed information on specific types and causes of injuries has yet to be released, though California did report a surge in occupational illnesses, which together accounted for about 8% of all reported work injury and illness cases in 1996. Much of that increase is attributable to disorders associated with repetitive stress or repetitive motion, according to the state Labor Division's census.

After registering a 10% decline between 1994 and 1995, repetitive trauma disorders jumped 18.5% last year and accounted for nearly 34,000 of the 66,600 occupational illnesses that California employers reported in 1996.

The decline in work injuries in the face of rising employment reflects several factors, including improved workplace safety, changes in the composition of jobs and nature of work, changes in employer reporting patterns, and workers comp anti-fraud efforts, according to CWCI President Ed Woodward.

"The magnitude of the improvement in California is especially impressive, given the robust growth in the state's economy, the diversity of jobs and the large number of people entering the workforce for the first time, re-entering the job market, or shifting into a new line of work," Mr. Woodward said in a statement announcing the release of the census.

Lori Kammerer, managing director of Californians for Compensation Reform, a Sacramento, Calif.-based employer coalition, said, "This is another strong indication that the reforms enacted in 1989 and 1993 are working."

'This is another strong indication that the reforms enacted in 1989 and 1993 are working,' says Lori Kammerer.

The reforms included the implementation of targeted workplace safety inspection programs enforced by California's Occupational Safety and Health Administration, she explained.

"Clearly, both employers and employees are emphasizing workplace safety more," she pointed out.

Julianne Broyles, director of insurance and employer relations for the California Chamber of Commerce, agrees.

"Since 1992 we have had in place an injury- and illness-prevention program in California that all employers must comply with. They must look at what causes injuries and illnesses in their workplace, make a plan on how to deal with them, train their employees on how to deal with them and keep records on what they've done with their training and information provided to employees," she said.

"I think all of that has led to a better awareness of the causes and ways to prevent illness and injuries in the California workplace."

But Ms. Kammerer cautioned employers against becoming too optimistic with the findings. "We still need to see the average claim costs to find out the real impact of the reforms," she said.

The Labor Division census shows average public and private sector employment in California hit 12.7 million jobs in 1996, up nearly 2% from 1995 and nearly back to the pre-recession peak of 12.9 million jobs.

The census, published since 1972, was conducted by the Division of Labor Statistics and Research in cooperation with the U.S. Bureau of Labor Statistics. It is based on occupational injury and illness data reported by employers on OSHA 200 forms.

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Copies of the Nonfatal Occupational Illness and Injury Census for California are available free by sending a stamped, self-addressed envelope or mailing label to the Division of Labor Statistics and Research, P.O. Box 420603, San Francisco, Calif. 94142-0603.

Datebook

FEBRUARY

FEB. 1-3. American Bankers Assn. Insurance Risk Management Conference in San Diego, sponsored by the American Bankers Assn.; $780 for members, $955 for non-members. Sonia Barbara, Manager-Public Relations, American Bankers Assn., 1120 Connecticut Ave. N.W., Washington, D.C. 20036; 202-663-5469.

FEB. 1-3. Insurance Risk Management Conference in San Diego, Calif., sponsored by American Bankers Assn.; $780 for ABA members, $955 for non-members. Registration Coordinator, American Bankers Assn., P.O. Box 79129, Baltimore, Md. 21279-0129; 202-663-5274.

FEB. 1-3. Security and Fraud Prevention Conference in San Diego, sponsored by American Bankers Assn.; $899 for ABA members, $1,125 for non-members. Registration Coordinator, American Bankers Assn., P.O. Box 79129, Baltimore, Md. 21279-0129; 202-663-5274.

FEB. 1-4. The Interactive Disability Forum in St. Petersburg, Fla., sponsored by The Hartford and Disability Consulting Group Inc.; $795. Jami Berube, Disability Consulting Group Inc., 66 Pearl St., Suite 300, Portland, Maine 04101; 207-756-8551.

FEB. 3-4 Solving the Health Care Benefits Puzzle seminar, in Milwaukee, sponsored by the University of Wisconsin's University Center for Continuing Education; $695. Paul Haussman, program director, University of Wisconsin, University Center for Continuing Education, 161 W. Wisconsin Ave., Suite 6000, Milwaukee, Wis. 53203-2602; 414-227-3265.

FEB. 3-4. Captive Insurance Companies workshop in London, sponsored by the Risk & Insurance Research Group Ltd. £790 ($1,325) plus VAT. RIRG, 44 Maiden Lane, Covent Garden, London WC2E 7LJ; 44-171-836-0614.

FEB. 4-6. Workers' Compensation Management course, in Seattle, sponsored by the Risk and Insurance Management Society. $675 for members, $775 for non-members. Also **May 6-8** in Chicago, **Nov. 18-20** in Boston. RIMS, 655 Third Ave., New York, N.Y. 10017-5637; 212-286-9292.

FEB. 4-6. Financial Analysis: Property/Casualty Insurance seminar, in Philadelphia, sponsored by Fells Road Group. $1,250. Also **April 1-3, Sept. 16-18, Oct. 28-30.** Denise Danalis, Fells Road Group, 271 Route 46 West, Ste. D-207, Fairfield, N.J. 07004; 973-227-5955.

FEB. 4-6. Advanced Pension Conference in Orlando, Fla., sponsored by Corbel; $695. Corbel Educational Services, 1660 Prudential Drive, Jacksonville, Fla. 32207-8197; 800-326-7235.

FEB. 4-6. 1998 Products Liability Seminar in New Orleans, sponsored by Defense Research Institute Inc.; $595 for members, $640 for non-members. DRI, 750 N. Lake Shore Drive, Suite 500, Chicago, Ill. 60611; 312-944-0575.

FEB. 5-6. Seventh Annual Employers/Coalition Health Conference in Sarasota, Fla., sponsored by the West Coast Healthcare Coalition; $345. WCHC, 6637 Superior Ave., Suite C, Sarasota, Fla. 34231; 941-923-1697.

FEB. 5-6. Pharmacy Benefits Management seminar in Milwaukee, sponsored by the University of Wisconsin's University Center for Continuing Education; $695. Paul Haussman, program director, University of Wisconsin, University Center for Continuing Education, 161 W. Wisconsin Ave., Suite 6000, Milwaukee, 53203-2602; 414-227-3265.

FEB. 9-11. Fundamentals of Insurance course, in San Diego, sponsored by the Risk & Insurance Management Society; $675 for members, $775 for non-members. Also **April 1-3** in Washington, D.C., **June 15-17** in Chicago, **Sept. 16-18** in Atlanta, **Oct. 19-21** in Scottsdale, Ariz., **Dec. 7-9** in Orlando. RIMS, 655 Third Ave., New York, N.Y. 10017-5637; 212-286-9292.

FEB. 9-13. PRIMA's 1998 Government Risk Management Seminar East in Orlando, Fla., sponsored by the Public Risk Management Assn.; Foundations in Risk Management, $665 for members, $835 for non-members; Continuing Education for School Risk Managers, $560 for members, $720 for non-members. PRIMA, 1815 N. Fort Myer Drive, Suite 1020, Arlington, Va. 22209; 703-528-7701.

FEB. 10. E&O Loss Control Program seminar in Wethersfield, Conn., sponsored by the Independent Insurance Agents of Connecticut; $90 members and associate members, $120 for non-members. Also **Aug. 12** in Norwich, Conn. and **Aug. 13** in Norwalk, Conn. IIAC, 30 Jordan Lane, Wethersfield, Conn. 06109; 860-563-1950.

FEB. 10. The CGL Policy: Important Changes seminar in Overland Park, Kan., sponsored by the Kansas City chapter of the CPCU Society. $85 for members, $95 for non-members. Bonnie Kinsley, CPCU Society, P.O. Box 3009, Malvern, PA 19355; 800-932-2728 ext. 2735.

FEB. 11. Global Insurance Programme Solutions conference in London, sponsored by the Risk & Insurance Research Group Ltd.; £499.37 ($836). Susan McMahon, RIRG, 44 Maiden Lane, Covent Garden, London WC2E 7LJ; 44-171-836-0614.

FEB. 11. Risk Securitization on Catastrophe Reinsurance discussion in White Plains, N.Y., sponsored by the Chartered Property and Casualty Underwriters' Westchester Chapter; $17. Eileen Lehman, CPCU, 4 Gannett Drive, White Plains, N.Y. 10604; 914-640-6545.

FEB. 11-12. Risk Management Institute in Dallas, sponsored by OPEN MINDS; $795 for two days, $550 for one day. Also **June 4-5** in Chicago, **Oct. 14-15** in Atlanta. OPEN MINDS, 10 York St., Ste. 200, Gettysburg, Pa. 17325-2301; 717-334-1329.

FEB. 12. Capitalizing on the New Revolution in Multi-Year Integrated Risk Programs forum in New York, sponsored by IBC Group P.L.C. $1,095. IBC USA Conferences Inc., 225 Turnpike Road, Southborough, Mass. 01772-1749; 508-481-6400.

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The Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. Please include the cost, if any, to attend the meeting and information on registration. Business Insurance reserves the right to select meetings that are of most interest to readers and cannot guarantee that notices will be printed. Datebook listings also are available on the World Wide Web at www.businessinsurance.com.

RIMS

Continued from page 1

Congress focus on homeowners insurance in catastrophe-prone areas. But the society is monitoring congressional moves on the issue to see if it becomes relevant to commercial buyers, he said.

RIMS also will continue to fight off any attempts to change the tax treatment of captive insurance companies, Mr. Brown said.

But the society has one new issue on the federal level, with RIMS planning to address the Patient Access to Responsible Care Act, better known as PARCA, said Ms. Allen.

RIMS is crafting a position paper on the controversial proposal, which critics claim would gut managed care (see story, page 1).

PARCA was introduced late last year by Rep. Charles Norwood, R-Ga., and gathered the support of about half of the House of Representatives. The proposal would curtail employers' ability to form preferred provider networks and require plans to pay for services provided by practitioners of alternative medicine, such as naturopaths and homeopaths. Also, PARCA would make insurers, HMOs and, in some cases, employers, liable for health care provider mistakes.

While no date has been set for release of the paper, Ms. Allen said it will "really focus on the defense of managed care."

Ms. Allen noted that "a lot of risk managers now are also dealing with health insurance.

"But managed care we really first saw in the workers compensation arena, and managed care is credited with a lot of cost controls that have kept the cost of risk down. So I know we'll be looking for a balancing point with quality of care, but I know it's important not to let managed care reform erode all the cost savings."

Risk managers also are interested in the topic because of "potential employer liability for HMOs, which makes health care even more of a risk management issue."

'I know we'll be looking for a balancing point with quality of care, but I know it's important not to let managed care reform erode all the cost savings,' says Anne Allen.

Regarding state-level concern, in general "it could be an exciting year, it could be very defensive" as risk managers and others in the business community attempt to block efforts to roll back tort and workers compensation reforms, said Ms. Allen.

RIMS and other civil justice reform advocates suffered a "big blow in Illinois with all the tort reforms being declared unconstitutional. Then, we have a lot of workers comp defense to do" in several states, she said.

"But, on a positive note, maybe we'll see movement forward in Florida and lay groundwork for 1999 in Texas," said Ms. Allen.

The eight core states on which RIMS will focus its attention this year are:

• California. RIMS will concentrate on tort reform and workers comp issues, with the emphasis on defending recent reforms.

• Colorado. RIMS will participate in the Workers' Compensation Coalition to push a package of proposals in this year's legislative session. The package addresses such issues as bad-faith claims and the independent medical examiner process. Risk managers also are tracking a proposal that would revisit mandatory coverage for mental illness.

• Florida. RIMS will concentrate on tort reform and battling workers comp fraud.

• Illinois. RIMS will press for passage of S.B. 73, which would eliminate balance billing, a practice that allows workers comp health care providers to bill patients for the portion of their charges insurers don't cover. In addition, risk managers probably will be involved in defensive tort reform efforts.

• New York. A RIMS representative has volunteered to serve on the New York Insurance Department's captive advisory committee, which should be formed later this year.

• Massachusetts. RIMS will oppose H.B. 1441, which would undo 1991 workers comp reforms.

• Pennsylvania. RIMS will follow workers comp and tort reform issues in the Legislature and the courts.

• Texas. Risk managers have volunteered to speak in favor of the comprehensive tort reforms enacted in 1995 and 1996 when the House Civil Practice Committee, the Senate Interim Committee on Civil Justice and the Senate Economic Development Committee all hold hearings on the impact of tort reform. Risk managers also will be tracking this year's Texas Supreme Court elections, which will determine whether the high court continues to have a pro-business majority.

In addition, Ms. Allen said that RIMS could become involved in several other states, notably Kansas, Kentucky and Ohio, where risk management-related issues may emerge. BI

Ford

Continued from page 2

in other states.

"Those (80 California) vehicles clearly have been damaged as a result of the switch," the spokesman said. "We're saying that 80 is simply a starting point. We're not going to say it's going to get to $200 million."

According to Michael Duffy, a partner with the Gardner, Carton & Douglas law firm in Chicago who defends product liability cases, the State Farm suit is "highly unusual."

"I'd say it's shocking. It's highly unusual that a big insurer would pursue a big manufacturer directly," Mr. Duffy said. "And it may be the start of a trend, similar to what the states' attorneys general have been doing in the tobacco litigation."

"In the past, clearly the insurance companies had their subrogation rights and have been content with pursuing those," Mr. Duffy said. "But this is different, of course. This is the insurance company going directly after the manufacturer."

But the State Farm spokesman said the decision to pursue Ford directly in court was made only after normal subrogation efforts failed.

"The suit was reluctantly filed because subrogation, which is the normal process by which insurers would collect either from another insurer or, when a defect was alleged, from the manufacturer. . .is normally done amicably," he said. "That was not happening here."

In this case, normal subrogation "just didn't work," the spokesman said. "Subrogation is the usual step. But when this doesn't work when you find you have a legitimate claim you have a lot of different forums. Often arbitration is available, but you have litigation, too. Often litigation is a legitimate next step."

The decision to pursue Ford directly in court was made because normal subrogation didn't work, State Farm said.

The insurer also perceived the need to act to preserve rights that might otherwise be lost in some cases due to statutes of limitations, the spokesman said.

Beverly C. Moore Jr., a Washington-based attorney and publisher of *Class Action Reports*, said State Farm's course would make sense for other insurance companies, particularly as computerized records give them the possibility for ever greater access to detailed claims information.

"You would think it would be in the companies' interests to do this frequently," he said. "To the extent that the insurance companies have computerized their losses. . .It's just a matter of keeping the appropriate records from the outset."

Mr. Moore said every insurer should centralize its database and mine the data to extract information that could better show claims rates and patterns that might be helpful in these types of cases.

He is now working with individual Ford owners revising a class-action complaint against the automaker on the ignition switch issue. Last August a federal judge in Camden, N.J., denied class certification in that case. State Farm had filed a motion to intervene in the case but withdrew it after the judge's ruling.

Referring to that action, Ford's statement called State Farm's suit "a replay of an unsuccessful lawsuit," adding, "State Farm has resubmitted essentially the same allegations in a different court."

The State Farm spokesman said there is a difference.

"The distinction there is that the judge in New Jersey simply said the case should not be tried as a class action," he said. "But he did not say there was not merit to the various parts of the suit."

The spokesman said he didn't know whether other auto insurers would seek to join State Farm's suit.

Mr. Duffy said one likely outcome of the State Farm suit is that the insurer's case and the accompanying evidence that potentially would be presented in court would benefit individual actions brought against Ford in connection with the ignition switch issue.

"It certainly presents the plaintiffs bar with a gift-wrapped package they can use in individual claims," the attorney said. "What it very likely will do is make it easier for plaintiffs to bring these claims." BI

Updates

High court passes on ADA case

Continued from page 2

long-term disability plans violates the Americans with Disabilities Act.

The widely watched case, *Ouida Sue Parker vs. Metropolitan Life Insurance Co., Schering-Plough Corp. and Schering-Plough Health Care Products Inc.*, alleged Schering-Plough's LTD plan discriminated against people with mental illnesses because under the plan, people with mental illnesses receive disability benefits for up to two years, while people with physical illnesses receive benefits until age 65.

Plaintiff attorneys charged that Title III of the ADA not only prohibits discrimination in terms of physical access to places of public accommodation but also prohibits discrimination in terms of the goods and services—including insurance products—offered at those places.

In overturning a three-judge panel decision, the full 6th U.S. Circuit court of Appeals ruled last August that employer-provided LTD plans are not goods offered by a place of public accommodation and therefore are not subject to Title III of the ADA (*BI*, Aug. 11, 1997).

Other circuit courts have ruled differently on the issue.

Meanwhile, the Supreme Court agreed last Friday to review a fourth sexual harassment case this term. The high court's decision in the case, *Burlington Industries vs. Ellerth*, could help spell out whether an employer faces any liability when a supervisor links job opportunities to an employee's submitting to sexual advances but the harassed employee neither submits nor suffers demotion, dismissal or other harm for rebuffing the advances.

Peruvian air crash payout

LIMA, Peru—Airline Aeroperu S.A. is insured for a Peruvian judge's order in a criminal trial to pay $30.5 million to the families of 70 victims of an October 1996 crash.

A Boeing 757-200 owned by Aeroperu en route from Lima to Santiago, Chile, crashed into the Pacific Ocean in fog shortly after takeoff from Lima, allegedly due to instrument failure. All 61 passengers and nine crew members were killed.

Thirty-one of the victims were Chilean, 20 Peruvian, six Mexican, four from the United States, two Ecuadorian, two Italian, two British, one Spaniard, one Colombian and one New Zealander.

The damages comprise a $500,000 payment to each of the families of 61 victims. The families of nine other victims settled for payments of $120,000 apiece in February 1997.

Aeroperu insured the plane under a $1 billion global insurance program with reinsurance mainly in the London market. The lead insurer in Peru was state-owned Compania de Seguros Popular y Porvenir. Insurers have paid $63.5 million for the hull claim, which Aeroperu used to buy a new Boeing 757, London sources say.

In addition to holding the airline liable, Judge Ruben Mansilla San Miguel also convicted Aeroperu's head of maintenance, Eleuterio Chacaliza, of culpable homicide and sentenced him to a suspended two-year prison term. Mr. Chacaliza was accused of failing to ensure that adhesive tape placed around the aircraft's sensors during cleaning was removed.

The crash triggered three lawsuits: the criminal trial in Peru and civil suits in Miami and Santiago, Chile.

The awarding of civil compensation in a criminal trial was a particular characteristic of the Peruvian legal procedure, said Isidro Solis, a Santiago-based lawyer who represents the Chilean families. He said his clients were not party to the Lima case, which the government brought.

Lawyers for the victims' families will decide whether to accept the damages awarded in the Peru court or proceed with their civil actions.

Aeroperu would not comment on whether it will appeal.

Briefly noted

California's Supreme Court handed employers a victory last week when it let stand an appellate court decision in *Sistare-Meyer vs. YMCA* that said businesses can fire **independent contractors** without having to fear tort lawsuits for age, race or sex discrimination. The high court declined to review the decision handed down Oct. 1 by the Court of Appeal in Los Angeles. . . **AT&T Corp.** is expected to announce this week an early retirement incentive package, including enriched pension benefits, as part of a program to reduce the company's workforce. AT&T declined to comment. . . . **FMR Corp.** last week moved closer to setting up a mutual captive insurer that would provide up to $100 million of coverage to subsidiary FMR Co. and shareholders of the Fidelity money market funds it manages if a fund's share price falls below $1 (*BI*, April 14, 1997). The Securities and Exchange Commission said it would grant FMR Corp.'s application unless the agency's commissioner orders a hearing on it. The public has until Feb. 16 to request a hearing. . . .New York-based Moody's Investors Service Inc. said it has put financial guarantee reinsurer **Capital Reinsurance Co.**'s AAA rating on review for possible downgrade. Moody's said lower growth potential in the financial guarantee industry coupled with changes in financial guarantors' ceding practices may limit the New York-based reinsurer's growth prospects. Capital Re said it would "take all appropriate actions" to continue to satisfy Moody's AAA rating criteria. . . .**P. Richard Hackenburg** is joining X.L. Insurance Co. as executive vp and head of the Bermuda insurer's customer business units. Mr. Hackenburg formerly was chief executive officer of Willis Corroon's risk management division . . . .**Cat Ltd.** plans an initial public offering during the first half of this year, making it the last of the Bermuda catastrophe reinsurers to take this step. . . .A federal district court judge in Peoria, Ill., ruled last week that the U.S. Equal Employment Opportunity Commission could pursue its massive sexual harassment case against **Mitsubishi Motor Manufacturing of America Inc.** as a class action "pattern or practice" suit and then urged the parties to settle the case. . . .The Supreme Court last week agreed to decide whether employees who have health care coverage from both their own and their spouse's employer at the time they are dismissed or fired are entitled to **COBRA health care coverage** from their former employer.

Brokers must shift to succeed

By MYRON M. PICOULT
Special to *Business Insurance*

Insurance brokers are intermediaries who help their clients meet their insurance needs.

Traditionally, the brokerage process involved the agent assisting the client in determining their appropriate insurance needs; negotiating price, terms and conditions; reviewing the ratings of the purveyors and ultimately placing the business with the selected insurer(s). In the past, insurance intermediaries were compensated via commissions, contingent commissions (a form of profit-sharing where applicable), interest earned on premiums held by the broker (until the premiums are remitted to the insurer) and to varying degrees, other fee income on auxiliary services.

However, the industry landscape has changed markedly. An extended soft pricing environment in commercial lines and, in recent years, softness in reinsurance pricing have cut into commission growth. Higher retention ratios by policyholders, as well as increased use of alternative risk transfer mechanisms, also have hurt brokers' revenue growth. Furthermore, in the years ahead, greater use of securitization techniques also poses a threat to the broker's revenue base.

On a short-term basis, the industry's response to these revenue pressures has been consolidation nationwide and on a global basis. The rather frenetic pace of acquisitions at both Aon Corp. and Marsh & McLennan Cos. Inc. over the past two years underscores the point.

On a domestic basis, acquisitions are seen as a way to build critical mass, which lends itself to economies of scale and expense reduction. In many instances, however, these consolidations have provoked the ire of clients who are complaining about a marked deterioration in "traditional" service. Global acquisitions also help to produce revenue growth, though it is argued that such moves are more importantly tied to the need to follow the global expansion of your clients, to address deregulation in several nations and to address economic growth in emerging markets.

It should also be noted that some small and medium-sized insurance brokers have forged various relationships with each other and other non-traditional firms that have specific product or geographic niches in an effort to compete more effectively with larger brokers.

The real long-term challenge for insurance brokers is to find new sources of revenues. In recent years, in an effort to offset flagging revenue growth, intermediaries have ventured into services covering captive management, loss prevention programs and advisory work on risk programs. The problem is that virtually all the major purveyors are now dancing to the same mariachi band.

We suspect that the truly successful insurance intermediaries of the future will recognize the need to shift from just selling insurance coverages and some auxiliary services to helping clients identify and solve financial risk challenges. Indeed, more clients are seeking not only the prerequisite insurance coverage but also balance sheet protection and insulation from earnings volatility.

Traditional insurance intermediaries have to enhance their marketing and technical skills and find the means to more effectively penetrate the decision-makers in the executive suite. The recruits of the future will need skill sets that will encompass corporate finance, economic, accounting and legal facets as well as an insurance background and must have the ability to contribute to team-oriented operations. The emergence of non-traditional competitors is helping to foster these changes. These entities have specialized areas of expertise that many brokers do not have, and they often have access to top corporate officers.

The major brokers dominate the brokerage business related to large corporations and various governmental sectors. They also have been aggressive acquirers of small to medium-sized regional intermediaries that service small and medium-sized clients. Such accounts normally are fairly profitable and are attracted to various value-added skills normally performed by a risk manager. This modus operandi makes considerable sense because it enables the jumbos to bulk up needed revenues and enhances the ability of smaller brokers to draw on already-existing skills at the major broker. Other services now being offered include catastrophe modeling, claims servicing, actuarial and financial insurance modeling.

For the most part, diversification efforts within the insurance brokerage community have focused on ancillary services and tangential businesses. Notwithstanding diversification moves to date, there may well be instances where insurance intermediaries themselves may fit onto a broader financial services entity.

It should be emphasized, however, that over the long term, we fervently believe there are opportunities for smaller niche insurance intermediaries with highly specialized product capabilities. The ability of these specialists to roll out user-friendly but enhanced technological capabilities will further enhance their value-added approach. BI

Myron M. Picoult is a director and senior insurance analyst at Wasserstein Perella Securities Inc. in New York. He is the past president of the Assn. of Insurance & Financial Analysts and a member of the New York Society of Security Analysts.

Find *BI*'s Ticker on the Web

Business Insurance's World Wide Web site now features online stock information for all the commercial insurance companies in *BI*'s Industry Stock Report, with stock data continually updated during trading hours.

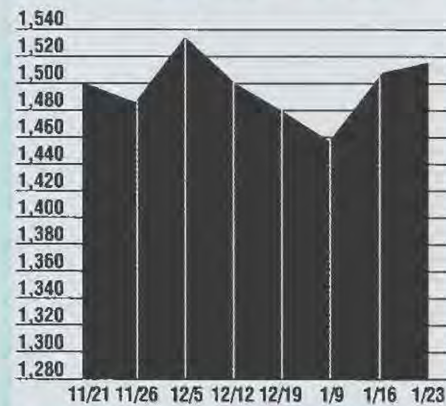
Comparisons of the *BI* Index and major market indexes also are available. Information is supplied by Nordby International Inc. of Boulder, Colo.

In addition to current information on industry shares, *Business Insurance*'s site features an archive of lively and informative articles by columnist Myron Picoult.

Mr. Picoult is a director and senior insurance analyst for Wasserstein Perella Securities Inc. in New York.

Both of these online features can be found on the World Wide Web at http://www.businessinsurance.com/ticker/index.html.

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: Nordby International Inc. (nordby.com) Boulder, Colo.

PCS catastrophe options

As of Jan. 23

Call spread	Price bid/ask
National Annual 1998	
40/60	10.0/12.0
60/80	7.0/8.0
80/100	5.0/6.0
Eastern September 1998	
20/40	3.5/5.5
40/60	2.6/3.5
Southeastern September 1998	
40/60	2.2/3.0
Northeastern September 1998	
100/150	.8/1.4

Call spread	Price bid/ask
California Annual 1998	
40/60	1.4/2.3
150C	1.7/3.0
Western Annual 1998	
40/60	1.9/2.5
80/100	1.6/1.8
150C	2.2/3.0
Florida September 1998	
40/60	1.4/2.4

Total volume: 0 Total open interest: 17,739

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.

Source: Chicago Board of Trade

British Issues

Companies	Price pence	P/E	Div. pence	Yield %	52-week high—low
Comml Union	918	13.9	35.8	3.9	950—630
Genl Accident	1107	7.4	35.4	4.0	1195—766
Gdn Royal Exch	387	5.6	12.2	3.1	394—257
Legal & Gen	597	15.8	11.6	2.4	621—363
Royal & Sun	649	22.1	19.7	3.8	680—429
Brokers					
Lmbrt Fenchurch	110	7.9	8.4	9.4	138—101
Lloyd Thmpson	184	15.4	10.8	7.3	206—151
Sedgwick Grp	131	10.9	7.4	5.5	171—115
Willis Corroon	133	15.1	6.6	6.2	165—116

Note: Prices are Jan. 23 closings; other numbers from Jan. 22.

Source: *Nordby International Inc.* (nordby.com) Boulder, Colo.

BI Industry Stock Report JAN. 19, 1998, THROUGH JAN. 23, 1998

		Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)
BROKERS							
Aon Corp.	NYS	55.06	-1.45	-6.08	58.88	40.25	587
E.W. Blanch Holdings Inc.	NYS	34.50	-2.30	0.18	36.00	19.75	90
Gallagher Arthur J. & Co.	NYS	36.75	8.29	6.72	38.25	29.88	458
Hilb, Rogal & Hamilton	NYS	18.06	0.00	-6.47	19.63	12.50	62
Kaye Group Inc.	NDQ	6.63	6.00	0.00	9.00	4.38	21
Marsh & McLennan	NYS	72.38	-1.19	-2.93	80.00	51.63	728
Poe & Brown	NDQ	43.94	-3.96	-1.54	48.50	25.50	32
Sedgwick Group PLC	NYS	11.50	-4.17	-6.60	13.25	9.38	17
Willis Corroon Corp.	NYS	11.00	-4.35	-10.66	13.50	9.75	99
BROKERS	AVERAGE		-0.21	-2.66			
INSURERS/REINSURERS							
ACE Ltd.	NYS	93.00	-3.88	-3.63	101.06	56.13	871
Acceptance Insurance Cos.	NYS	23.94	0.26	-1.03	28.63	17.75	151
AEGON N.V.	NYS	94.63	-0.39	5.58	95.69	61.13	171
Aetna Life & Casualty	NYS	73.88	2.78	4.69	118.13	66.31	2204
AFLAC Inc.	NYS	48.88	1.69	-4.40	57.88	37.50	737
Allied Group Inc.	NYS	26.00	-5.67	-9.17	35.75	20.69	627
Allstate Corp.	NYS	87.06	-1.76	-3.80	94.38	58.63	3136
AMBAC Indemnity Corp.	NYS	45.50	-2.15	-1.09	48.13	31.00	608
American Bankers Ins.	NDQ	46.00	0.14	0.14	46.19	24.38	763
American Financial Group	NYS	38.94	-2.35	-3.41	49.25	32.38	200
American General	NYS	56.50	2.38	4.51	56.50	36.50	2262
American Heritage Life Ins.	NYS	36.94	-5.89	2.60	40.50	23.50	50
American Indemnity/Fin'l	NDQ	12.94	-2.82	-6.76	15.50	10.38	3
American International	NYS	106.63	5.05	-1.95	112.56	75.13	5952
Argonaut Group	NDQ	33.25	1.53	-1.85	38.13	26.75	50
AXA-UAP Group	NYS	39.00	1.46	0.00	39.88	29.25	242
Baldwin & Lyons Inc.	NDQ	20.50	2.18	-15.03	28.75	17.38	2
Berkley W.R. Corp.	NDQ	41.25	0.00	-5.98	46.38	28.81	265
Berkshire Hathaway Inc.	NYS	49500.00	3.99	7.61	50100.00	30000.00	1
Capital RE Corporation	NYS	60.00	0.10	-3.32	62.88	38.75	129
Capitol Transamerica Corp.	NAS	21.50	4.88	0.88	28.13	19.25	68
CapMac Holdings Ltd.	NYS	29.94	-1.64	-13.85	36.00	22.50	927
Centris Group Inc.	NYS	21.94	0.00	-1.68	24.00	17.88	18
Chartwell Re	NYS	34.19	-0.55	1.30	36.25	24.50	25
Chubb Corp.	NYS	77.63	3.07	2.64	78.56	51.13	1464
CIGNA Corp.	NYS	174.50	2.27	1.23	200.75	136.94	534
CNA Financial Corp.	NYS	131.38	-0.94	2.84	133.69	96.38	110
CNA Surety	NYS	15.44	-1.59	0.00	16.50	12.88	170
EMC Insurance Group Inc.	NDQ	13.50	-6.90	1.89	15.00	10.75	4
ESG Re Limited	NDQ	24.25	0.00	3.19	25.00	20.88	343
Enhance Financial Services	NYS	53.63	-4.24	-9.87	62.13	34.25	477
Everest Reinsurance	NYS	36.88	-1.34	-10.61	43.00	26.50	480
Executive Risk Inc.	NYS	73.00	1.65	4.57	74.19	37.00	204
EXEL Ltd.	NYS	59.88	-2.84	-5.52	65.19	39.00	508
Fremont General Corp.	NYS	50.00	-2.20	-8.68	55.50	26.38	298
Frontier Insurance Group	NYS	23.00	-2.65	0.55	39.25	18.75	1088
Gainsco Inc.	NYS	8.19	-3.68	-3.68	10.19	8.00	75
General RE Corp.	NYS	207.88	0.42	-1.95	221.25	151.00	455
Gryphon Holdings	NDQ	15.63	-1.57	-6.72	17.75	13.88	45
Harleysville Group	NDQ	22.75	2.25	-5.21	27.50	14.38	67
Hartford Steam Boiler	NYS	57.50	1.43	4.19	58.00	44.00	190
HCC Insurance Holdings	NYS	16.44	-5.40	-22.65	32.69	15.63	1363
ING Groep N.V.	NYS	46.13	3.80	9.01	53.00	38.88	518
IPC Holdings Ltd.	NDQ	30.75	1.65	-4.47	32.88	22.38	40
Hartford Financial Services	NYS	90.00	-1.37	-3.81	94.56	68.13	1361
LaSalle Re Holdings Ltd.	NYS	33.38	1.91	-5.65	36.13	26.00	76
Life Re Corp.	NYS	59.63	0.21	-8.53	65.38	37.38	211
Lincoln National	NYS	75.56	1.60	-3.28	78.88	49.00	644
MAIC Holdings Inc.	NYS	25.81	-3.28	-3.63	29.13	14.44	31
Markel Corp.	NYS	157.00	0.00	0.56	161.13	93.00	10
MBIA Insurance Group	NYS	64.00	-4.57	-4.21	68.44	45.44	1188
Meadowbrook Insur. Group	NYS	28.63	-1.72	9.83	29.50	21.25	23
Mid Ocean Ltd.	NYS	55.38	1.14	2.07	66.75	44.13	220
MMI Cos. Inc.	NYS	25.00	-0.99	-0.50	32.25	20.75	40
Mutual Risk Mgmt. Ltd.	NYS	28.63	-0.22	-4.38	30.50	16.75	462
NAC Re Corp.	NYS	50.56	3.72	3.59	52.88	34.00	199
Navigators Group	NDQ	18.25	-3.63	-2.83	22.50	15.75	7
Nobel Insurance Ltd.	NDQ	13.13	-0.47	0.00	15.38	11.88	85
NYMagic Inc.	NYS	28.13	-1.96	2.04	29.81	18.13	19
Ohio Casualty Corp.	NDQ	43.88	0.72	-1.68	51.00	34.50	127
Old Republic Int'l	NYS	38.44	-1.28	3.36	40.19	24.63	561
Orion Capital Corp.	NYS	44.94	-1.64	-3.23	51.00	30.50	154
Partner Re Ltd.	NYS	46.06	3.08	-0.67	47.88	30.75	190
Penn-America Group Inc.	NDQ	20.00	-1.23	-2.44	21.75	10.38	19
Philadelphia Cons. Holding	NDQ	20.50	3.14	15.49	23.25	12.75	43
PXRE Corp.	NYS	31.69	2.42	-4.52	34.00	24.75	18
Reliance Group Holdings	NYS	14.06	6.64	-0.44	15.13	9.00	973
Reliastar Financial Corp.	NYS	41.75	1.21	1.37	42.31	27.00	687
RenaissanceRe Holdings Ltd.	NYS	40.88	-0.91	-7.37	50.00	33.50	120
Risk Capital Holdings	NDQ	22.53	-0.69	1.26	24.00	16.00	36
RLI Corp.	NYS	47.69	-3.17	-4.27	50.25	30.50	129
St. Paul Companies	NYS	87.88	12.48	7.08	87.88	60.75	4277
SCOR	NYS	49.06	0.90	2.75	52.13	35.25	1
SAFECO Corp.	NDQ	48.63	-0.13	-0.26	55.38	37.50	1487
SCPIE Holdings Inc.	NYS	27.56	-0.23	-4.75	32.13	19.13	NA
Seibels Bruce Group	NDQ	7.13	0.00	-5.00	9.50	5.88	52
Selective Ins. Group	NDQ	24.81	-8.94	-8.10	28.63	18.31	94
Tera Nova Insurance Co. Ltd.	NYS	24.63	-2.48	-6.19	30.00	18.00	301
TIG Holdings	NYS	33.69	1.70	1.51	38.00	26.38	474
Tokio Marine & Fire	NDQ	58.00	0.00	0.43	66.00	41.25	72
Torchmark Corp.	NYS	41.63	-0.75	-1.33	44.25	25.50	695
Transatlantic Holdings	NYS	71.81	-0.78	0.44	76.56	51.38	64
Travelers Property	NYS	43.88	-1.27	-0.28	46.06	31.38	698
Travelers Corp.	NYS	47.94	-5.54	-11.02	57.38	30.88	15717
Trenwick Group Inc.	NDQ	34.50	2.22	-8.31	39.63	31.25	79
Unico American Corp.	NDQ	12.25	-1.01	0.00	14.13	9.63	16
United Fire & Casualty	NDQ	42.00	1.20	-5.08	47.00	29.75	0
Unitrin	NDQ	61.19	-1.01	-5.32	66.50	48.50	411
UNUM Corp.	NYS	49.00	-4.16	-9.89	54.63	33.63	1416
USF&G Corp.	NYS	24.13	12.54	9.35	25.50	15.63	13948
Vesta Insurance Co.	NYS	62.38	1.63	5.05	64.50	32.75	64
Zenith National Ins.	NYS	25.38	1.50	-1.46	28.75	24.50	12
INSURERS/REINSURERS	AVERAGE		-0.08	-1.69			
HEALTH MAINTENANCE ORGANIZATIONS							
Humana Inc.	NYS	19.50	-3.41	-6.02	25.31	17.63	2003
Oxford Health Plans	NDQ	14.69	-7.48	-5.62	89.00	13.75	10829
Pacificare Health Sys.	NDQ	57.75	7.94	14.93	85.63	46.75	182
Safeguard Health Enter.	NDQ	8.50	-3.55	-37.04	17.50	8.13	11
Sierra Health Services	NYS	33.00	0.76	-1.86	41.63	23.75	75
United Healthcare Corp.	NYS	47.31	-1.69	-4.78	60.13	42.44	3943
Wellpoint Health Networks	NYS	49.06	6.95	16.12	61.13	32.50	628
HMOs	AVERAGE		-0.07	-3.47			
ALL COMPANIES	AVERAGE		-0.12	-2.61			

Top advancing issues: USF&G Corp., St. Paul Cos., Gallagher Arthur J. & Co. Leading decliners: Selective Ins. Group, Oxford Health Plans, EMC Insurance Group Inc. Most active issue: Travelers Corp. The *BI* Index rose 0.8%; the Dow Jones 30 Industrials fell 0.7%; the S&P 500 declined 0.4% and the NYSE Composite fell 0.6%. Average P/E: Brokers, 23.4; Insurers/reinsurers, 39.9; HMOs, 20.3.

Our *new* minimum *premiums* will *SHOCK* you!!!

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Agents and Brokers contact:

Both companies are U.S. Treasury-Listed and A rated by A.M. Best.
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233 Main Street, New Britain, CT 06050-2350
(860) 223-5000