

business insurance

update

St. Paul places moratorium on new malpractice policies

ST. PAUL, Minn.—St. Paul Fire & Marine Insurance Co. has placed a temporary moratorium on writing new medical malpractice insurance for all health care providers.

The moratorium, which took effect Jan. 1 for an indefinite period, does not apply to renewals of existing business. St. Paul will write some new excess medical liability insurance if it writes underlying coverage for the

Continued on next page

Reporting weekly for corporate risk, employee benefit and financial executives/\$1.50 a copy; \$60 a year

Entire contents copyright 1986 by Crain Communications Inc. All rights reserved.

Renewals are difficult for all buyers this year

By MICHAEL BRADFORD and LINDA J. COLLINS

January 1986 commercial property/casualty insurance renewals are the most difficult for all clients—brokers around the country agree. Rate hikes, last year imposed primarily on large and difficult risks, are the norm this year, especially for liability insurance.

"Now, everyone is getting increases," observed John P. Nelson, president of The Redland Group in Council Bluffs, Iowa.

"Hard times are almost across the board" for liability coverage, agreed John F. McCaffrey, chairman and chief executive officer of Frank B. Hall & Co. Inc. in Briarcliff Manor, N.Y.

"General risks seem to be getting the same kind of treatment, with no regard for underwriting. It seems to be a matter of whatever the traffic will bear. It's sim-

ply, 'Take my terms or forget it!'" Mr. McCaffrey said.

And, insurers are further reducing the limits of liability coverage they will write from already reduced limits.

Hardest hit are excess and umbrella layers of coverage, where excess insurers are significantly reducing the limits they will write, not only from the top down but also from the bottom up.

This trend is reducing total limits available to policyholders and creating gaps in coverage between primary and excess policies. Unless brokers find additional coverage soon, policyholders will not have complete insurance programs in 1986.

"The situation is very dire right now," said Casey Bowen, executive vp of E.H. Crump Co., the Memphis retail operation of Crump Cos. Inc.

Many underwriters are reluctant to quote at all until their reinsurance treaties are in place, brokers report (see related story).

In addition, an array of excess liability claims-made forms are compounding problems in the marketplace, especially for policyholders whose risks require large limits.

"Capacity is diminished and pricing is higher," said Howard Miller, senior vp & director of sales for B.R.I. Coverage Corp. in New York. "The situation is much worse than last year."

Renewals are "considerably more difficult" to place in 1986 than they were in January 1985, said Richard M.

Continued on page 25

Reinsurance market a headache for buyers

By DOUGLAS McLEOD

NEW YORK—Reinsurance buyers are suffering from a protracted New Year's hangover whose now-familiar symptoms include price hikes, coverage restrictions and capacity shortages.

Reinsurers report rate increases of up to 1,000% on the Jan. 1 renewal of some casualty programs, though most increases are more modest.

The rate increases reflect both higher rates charged by reinsurers for excess-of-loss reinsurance and higher rates charged by primary insurers, which are passed on to reinsurers under proportional treaties.

The higher rates charged by reinsurers are driven, in part, by the higher cost of retrocessional coverage—their own reinsurance.

The terms of reinsurance contracts also are becoming more restrictive and include the removal of casualty risks from catastrophe programs and the use of sunset clauses to phase out coverage for long-tail liability risks under occurrence-based reinsurance contracts.

Reinsurance capacity also is becoming scarce, with the withdrawal or insolvency of many reinsurers.

Because of the capacity shortages and the generally "undisciplined" nature of the market—with each reinsurer seeking to dictate pricing and terms—renewals are taking longer to complete than in years past, reinsurers and brokers say.

"It's like pulling teeth to get these deals pulled together," lamented Ward Gordon, chairman and chief executive of Intere Intermediaries Inc. in New York.

Some treaty renewals may not be finished until the end of January, and others may not be completed at all, brokers report.

"Casualty business is an utter, total and complete disaster," said one broker who requested anonymity. "I think there are some covers that will just disappear."

"It's absolute hardball. The world as we knew it is gone forever," the broker added, noting that many reinsurers are telling buyers, "If you want me, these are my terms, and if you don't like it, buzz off."

"It's midnight. It's not five to 12, it's not 10 to 12, it's midnight," said Nick Steffey, vp and principal with Towers, Perrin, Forster & Crosby in Philadelphia.

Intermediaries may not stay in the office until midnight, but they are working overtime in their attempts to

Continued on page 31

from u.s. brokers

from u.s. reinsurers

1986 renewal report

Brokers find little help in London market

By STACY SHAPIRO

LONDON—Brokers in the London market say that 1985 year-end renewals are the most frustrating and disappointing ever.

Brokers for U.S. buyers swarmed the London market during the holidays in a last-ditch effort to search for capacity that was lacking in the U.S. market.

What they found were insurers extremely hesitant to write U.S. liability exposures and glutted with so many property commissions that they could not keep up with the demand.

"In terms of intensity and tension, this season is probably unique," said Jim Payne, chairman of E.W. Payne Cos. Ltd., the largest reinsurance brokerage at Lloyd's of London.

"Capacity shortage is not simply the consequence of market contraction but paradoxically it is exacerbated by price escalation," he noted.

Because of a lack of reinsurance capacity and the limits on how much premium many London insurers could write, bro-

from london

kers found that underwriters not only raised rates but also:

- Refused to write or drastically cut limits for certain U.S. liability lines, especially directors and officers liability insurance; professional liability coverage for insurance brokers, accountants and lawyers; bankers blanket bonds; and workers compensation coverage.

- Sharply reduced excess liability insurance limits.

Buyers seeking excess liability coverage in London were further aggravated by the disagreement among various underwriters over the wording of claims-made excess liability policy forms (see story, page 29).

- Imposed restrictive clauses in global liability policies written for non-U.S. companies to exclude their North American operations (BI, Dec. 16).

Despite these problems, London underwriters were able to

fill some U.S. buyers' needs.

For example, U.S. risk managers could find capacity for difficult-to-place property risks, including California earthquake exposures. Many Lloyd's non-marine underwriters, who promised syndicate members they would not write U.S. liability exposures, turned to property underwriting instead, sources say.

However, placing this coverage was a long and laborious process as brokers waited up to three days to see some leading Lloyd's of London property underwriters.

In addition, rates for property coverage jumped from 15% to 30% from last year, sources say.

"It is extremely frustrating to be in London," summed up one U.S. broker who was working in London just before Christmas. "It is frustrating because usually when the U.S. market has collapsed, there has been capacity in the London market for U.S. exposures. But, that has evaporated as well this year."

Continued on page 28

Seven more states reject ISO's revised claims-made form
Page 2

Rising liability insurance premiums force ski areas to increase prices
Page 3

update

Ban on new malpractice cover

Continued from previous page
policyholder.

In a letter last month to agents and state insurance commissioners, St. Paul—the nation's largest medical liability insurer—said the moratorium was prompted by its unsatisfactory underwriting experience during the past three years, the "disarray" in all sectors of the medical liability insurance marketplace and the "sheer size" of its medical services division.

"The flow of new business to The St. Paul is virtually unmanageable, much of it unacceptable," the company said in a statement.

St. Paul estimated its share of the medical liability market at more than 20% at the end of 1985, up from 18% a year earlier. It insures 55,000 physicians, 1,550 hospitals, 2,500 nursing homes and hundreds of thousands of other allied health care providers and facilities.

In 1985, St. Paul wrote an estimated \$600 million in medical liability premiums, the company said. In 1984, it recorded a 81.3% pure loss ratio on \$313.6 million in net premiums earned on medical malpractice business, according to A.M. Best Co.

St. Paul said the moratorium will be lifted when its malpractice results improve and the market stabilizes.

Bhopal forum to be argued

NEW YORK—A U.S. District Court here will decide soon whether the United States or India is the appropriate forum for thousands of claims against Union Carbide Corp. stemming from the December 1984 poison gas leak in Bhopal, India.

Attorneys for victims, the Indian government and Carbide were to argue the issue last Friday before Judge John F. Keenan.

Danbury, Conn.-based Carbide contends India is the most appropriate forum, while attorneys for the plaintiffs and the Indian government say the United States is more appropriate. Underlying these arguments is the view that plaintiffs could get much more money if the cases are heard in U.S. rather than Indian courts.

A decision is not expected until several weeks after the hearing. Attorneys for the victims also filed a motion to split the case into two parts: one to determine liability, the other to set damages.

Also, attorneys for victims last week filed motions with the District Court to prevent the takeover of Union Carbide by GAF Corp. The victims' attorneys want to prevent depletion of Carbide's assets to ensure enough is available to satisfy any judgment against it.

The Indian government also said last week it was considering seeking a U.S. court injunction to safeguard Union Carbide funds in light of the takeover attempt by GAF.

More than 1,750 people died and thousands of others were injured in the gas leak. Suits seeking billions of dollars in damages have been filed against Carbide (BI, Dec. 24-31, 1984).

FASB issues pension ruling

STAMFORD, Conn.—Employers terminating overfunded pension plans can immediately report the excess assets gained as a profit under a new rule issued last month by the Financial Accounting Standards Board. Such gains had been spread over many years.

Under the new rule, known as Statement 88, previously deferred gains or losses are to be recognized in earnings when a pension obligation is settled. Settlement is defined as any irrevocable action that relieves an employer of primary responsibility for a pension obligation. That could occur when an employer terminates an overfunded plan and annuities are purchased to cover vested benefits.

The new rule—which employers can opt to use now but which must be used starting in 1987—could lead to big jumps reported in earnings for companies that terminate overfunded plans.

Liberty Mutual leaves EIL pool

CHICAGO—The Pollution Liability Insurance Assn., a Chicago-based reinsurance pool for environmental impairment liability coverage, is scrambling to replace one of its largest members after Liberty Mutual Insurance Co. withdrew from the pool Jan. 1.

As a result of the move by Boston-based Liberty Mutual, PLIA does not yet know what limits of coverage it will be able to offer in 1986, although a PLIA official said it is unlikely the 41-member pool will offer the same EIL policy limits it offered last year: \$6 million per occurrence/\$9 million annual aggregate.

Liberty Mutual ended its participation in the insurance pool because PLIA would reinsure only about half the EIL policies it was writing, explains Liberty Mutual Vp John W. Purkis.

He said Liberty Mutual will continue to write EIL coverage for clients and will not cancel any PLIA policies on which it is a reinsurer, but it will not renew its participation when they expire.

Douglas K. Hamilton, PLIA underwriting manager, says the pool is looking for new members to replace the lost capacity. He said PLIA wrote about \$15 million in premium in 1985, compared with \$1.5 million in 1984.

index

Classifieds	28	Vol. 20, No. 1—Business Insurance (ISSN 0007-6864) is published weekly at 740 Rush St., Chicago, Ill. 60611. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to Business Insurance, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich., 48207; 313-446-0492. Copyright 1986 by Crain Communications Inc.
Comings & goings: industry	24	
Datebook	23	
Insurance services guide	30	
International issues	19	
Legal briefs	20	
Letters	8	
Markets	14	
Opinions	8	
Perspectives	19	
Ticker	31	

Legislation would increase cost of terminating underfunded plans

By JERRY GEISEL

WASHINGTON—Employers that terminate underfunded pension plans will face sharply increased liabilities if Congress approves pending legislation.

Congressional conferees late last month made significant changes in the pension provisions that earlier had been attached to a budget reconciliation bill, H.R. 3128 (BI, Nov. 11, 1985). However, the full Congress did not act on the budget bill after it was approved by the conferees, and it awaits further action.

The changes the conferees made create a completely new set of rules covering the termination of underfunded pension plans. The new rules would:

- Prevent ongoing, financially stable employers from terminating a pension plan until all promised benefits are funded.

- Give the Pension Benefit Guaranty Corp., the federal agency that guarantees workers' basic pension benefits, a better chance to recover more assets when a financially distressed company terminates a pension plan.

"There will be a price to be paid if you have significantly underfunded pension plans and you intend to terminate a plan," pointed out Edward J. Davey, vp-technical analysis at consultant Johnson & Higgins in New York.

The driving force behind these new rules is congressional concern that loopholes in the current pension law give companies an incentive to terminate underfunded pension plans and shift the liabilities to the PBGC.

The PBGC's deficit now totals about \$1.3 billion, up from \$462 million a year ago. The agency was hit with several huge claims in 1985, including the proposed termination of several pension plans by Wheeling-Pittsburgh Steel Corp., which could cost the agency be-

tween \$450 million and \$475 million.

To help reduce this deficit, the budget bill also contains a provision increasing the insurance premium: the PBGC charges employers with defined benefit plans. The new premium would be \$8.50 per plan participant, up from the current \$2.60 (BI, Dec. 23, 1985).

The increase would be effective in plan years beginning after Jan. 1, 1986.

By making it more difficult and expensive for an employer to terminate an underfunded plan, the new rules could better shield the PBGC from large claims in the future and reduce the need for the agency to seek new premium hikes, PBGC officials say.

The most significant new rule closes what is known as the "30% of net worth" loophole.

Currently, a company can terminate a pension plan at any time. If the plan doesn't have sufficient assets to pay benefits guaranteed by the PBGC, the agency has the right to 30% of a company's net worth to pay for the funding shortfall.

Companies with little or no net worth sometimes find it cheaper to terminate an underfunded plan, shift the liabilities to the PBGC and pay the penalty, if any, than to continue the plan.

Under the new rules, however, an employer could not terminate a pension plan until all vested benefits—plus special plant shutdown and special Social Security supplemental benefits—were fully funded.

Financially troubled employers still would be allowed to terminate underfunded plans, but only if they passed at least one of the "distress" tests set up by the legislation.

These distress tests are:

- A Chapter 7 bankruptcy liquidation.
- A Chapter 11 bankruptcy reorganization, if the bankruptcy judge approves the termination.

Continued on page

Seven more states reject CGL

By CAROL CAIN and ROBERT A. FINLAYSON

NEW YORK—In the last two weeks, seven more states have rejected the revised claims-made general liability form filed by The Insurance Services Office at the end of October.

This brings to 10 the number of states that have refused to approve the new form, which already contains several concessions from ISO.

Illinois and New York—two states that are considered leaders in insurance regulation—are among the states that most recently rejected the form. Other states that recently rejected the form are: Arizona, Minnesota, New Jersey, South Carolina, and Washington.

Earlier it was rejected by Michigan, Virginia and North Carolina.

Also, ISO has withdrawn its filing of the claims-made form in Ohio at the request of the insurance department.

The key area of concern raised by regulators that have disapproved the revised claims-made CGL is the limited protection provided by the "unlimited" extended reporting period or "tail coverage."

ISO's proposed policy form would allow insurers to charge up to 200% of a policy's original premium for "unlimited" tail coverage to cover claims that stem from an incident that occurred during the policy period but are reported after the expiration of the policy and before a subsequent policy's retroactive date.

However, under the proposed ISO form, "unlimited" refers only to the time period for filing claims.

Insurers could limit coverage available under the tail coverage to the amount of coverage remaining under the aggregate limits of the original policy.

Regulators want ISO to alter the policy form so that aggregate policy limits are reinstated when a policyholder purchases the "unlimited" tail coverage.

Coverage available under the extended reporting period is one of the key issues addressed by the National Assn. of Insurance Commissioners in model policy language it endorsed earlier this month. That language requires that an unspecified percentage of the aggregate limits be reinstated (BI, Dec. 23, 1985).

Illinois Insurance Director John E. Washburn is among the more vocal regulators refusing to approve the new CGL form until ISO addresses the concerns outlined in the model policy language.

"I disapproved the form for the same reasons the NAIC noted," Mr. Washburn said.

Besides addressing the reinstatement of limits available under tail coverage, the NAIC model policy language also requires insurers to give policyholders a 30-day period to decide whether to purchase the tail coverage in the event the policy is canceled by the insurer and requires that insurers guarantee that a terminating insurer will provide necessary loss information to the policyholder on a timely basis.

ISO agrees with Mr. Washburn and other regulators that policyholders are entitled to certain loss information from their insurers, said Carole J. Banfield, ISO's vp of government affairs.

Continued on page 30

Record operating losses hit insurers

NEW YORK—The property/casualty insurance industry will post a record pretax operating loss of an estimated \$5.5 billion for 1985, compared with a loss of \$3.8 billion in 1984, according to the Insurance Information Institute.

But, the industry's estimated net aftertax income will be "slightly above" 1984's \$1.1 billion profit because of \$5 billion in capital gains, generated primarily through the sale of stock, says Sean Mooney, an economist with the Institute (BI, Dec. 2, 1985).

In contrast, the industry generated only \$3.2 billion in capital gains in 1984, says Mr. Mooney.

Tax credits and some other minor sources of income also will contribute to 1985's net aftertax profit, Mr. Mooney says.

He adds that a major factor in 1985's \$5.5 billion pretax operating loss was a record \$2.8 billion in catastrophe losses, primarily hurricanes.

According to the I.I.I., which bases its figures on A.M. Best Co. data, the industry generated \$25.2 billion in

underwriting losses in 1985, up 17% from \$21.5 billion in 1984. Investment income totaled \$19.7 billion, 11.3% from \$17.7 billion in 1984.

Net written premiums were up 20.9% to \$142.3 billion from \$117.7 billion. Net written premiums increased only 9.2% in 1984, says Mr. Mooney.

Earned premiums increased 15.1% to \$131.6 billion from \$114.3 billion. Incurred losses rose 16.6% to \$11 billion from \$100.6 billion in 1984.

Mr. Mooney notes that even if the \$2.8 billion in catastrophe losses is discounted, the property/casualty industry still posted a \$2.7 billion operating loss.

The major factors that will lead to operating profit for the insurance industry in the future, he says, are rate increases and a decrease in incurred losses.

The "bottom line," he says, is that incurred losses increased 16.6%, while earned premiums were up only 15.1% in 1985.

"It should be the other way around," Mr. Mooney said.

Liability rates for ski areas snowball

By DONNA LEIGH YANISH

Skiers are paying more this year to schuss down the slopes, as ski area owners raise the cost of lift tickets to reflect an increase in liability insurance rates.

One-day lift tickets cost \$1 or \$2 more this year—up to \$27 at some California ski areas—as owners pass on liability rate increases of as much as 350%.

"To absorb the increase in insurance, we had to increase lift ticket prices by \$1," said Tom Anderson, director of operations of the Squaw Valley resort in Truckee, Calif.

Along with raising prices, ski area owners also are beefing up risk management programs to prevent accidents. In fact, some ski areas are publicizing efforts—like the introduction of ski patrols to catch reckless skiers—in an attempt to attract safety-conscious skiers.

The high cost of liability coverage is a relatively new problem for owners of ski areas, says Frank W. Bulkley, vp and director of the special risk group for Jardine Insurance Brokers Inc. in San Francisco. Mr. Bulkley manages the California ski industry's workers compensation pool.

Until now, workers compensation insurance was the most costly line of coverage for the ski industry, Mr. Bulkley said.

"Liability hadn't suffered because the industry has a history of being fairly safe, and there were reasonable jurisdictions to try injury cases," he said.

"Now the problem is worldwide capacity; it's no different from other specialty markets."

Even the largest U.S. ski resorts have had trouble keeping their coverage.

On Oct. 1, Los-Angeles-based Allianz Underwriters Insurance Co. of North America dropped liability coverage for the Squaw Valley resort, which attracts about 700,000 skiers a year, says Mr. Anderson.

Squaw Valley subsequently purchased coverage—at a much higher cost—through a program administered by Seattle-based Pettit-Morry Co., a major broker of ski liability insurance. The program is written by underwriters at

Lloyd's of London and several U.S. insurers.

The coverage cost 350% more than Squaw Valley's former coverage, despite lower limits and a tenfold increase in deductibles, said Mr. Anderson, who would not disclose the limits under either program.

Officials at Allianz could not be reached for comment.

While Squaw Valley was forced to accept lower limits and higher deductibles, many ski area owners are taking these steps voluntarily to hold the line on mountainous rate increases.

"Formerly \$500 deductibles are now \$5,000, \$5,000 deductibles are \$25,000 and \$25,000 are hitting \$100,000 as ski areas are moving away from insuring frequency claims," said Jardine's Mr. Bulkley.

Ski areas are also "uniformly looking to lower rates," he said. "When a \$50 million limit cost \$25,000, we recommended it and it sold. Now, the last \$25 million costs \$1.25 million, but I don't think \$20 million to \$30 million limits are all that bad."

Mr. Bulkley noted that \$30 million in liability insurance would probably be adequate to pay claims from last month's ski lift accident at the Keystone resort in Dillon, Colo. Some 49 people were injured when a wheel at the top tower of the chair lift collapsed, throwing skiers 40 feet to the ground.

The resort had \$2 million in primary liability insurance placed through Pettit-Morry and an undisclosed amount of excess liability coverage (*BI*, Dec. 23, 1985).

The Keystone accident won't have a major impact on ski area rates because it was an isolated incident, says Skip Kendall, president of Kendall Insurance Inc. in Rochester, N.H. Kendall Insurance administers a ski area liability program written by two American International Group Inc. affiliates.

Primary coverage under the program is written by American Home Assurance Co., and the excess coverage is written by National Union Fire Insurance Co. of Pittsburgh, Pa. The program, which is endorsed by the National Ski Areas Assn., covers about 300 of the nearly 700 ski areas

Continued on page 21

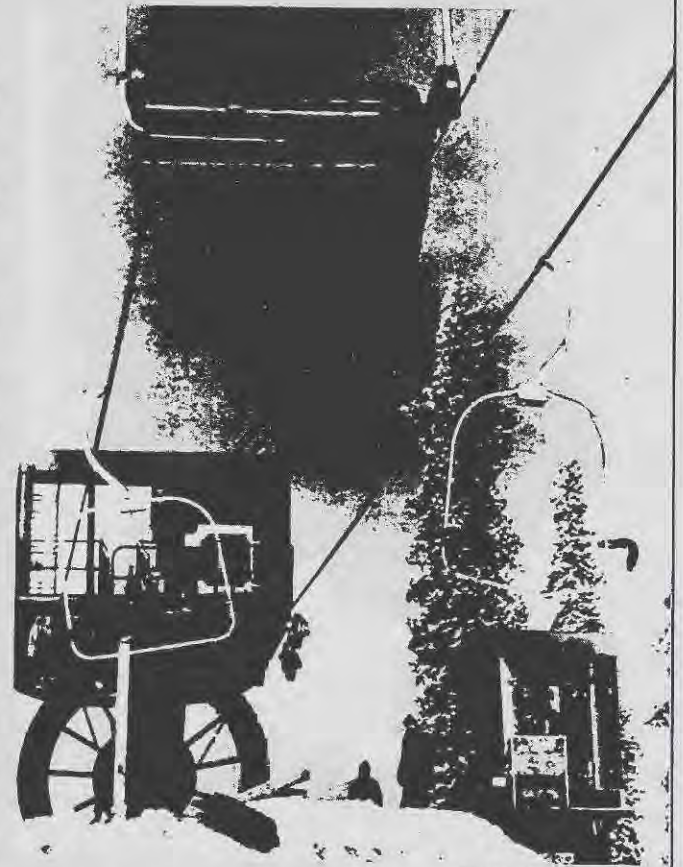


Photo: AP/Wide World

Brokers do not expect last month's disaster at the Keystone resort in Dillon, Colo., to affect liability rates. Forty-nine people were injured in the accident.

BI names Rosati deputy editor, opens Dallas news bureau

The *Business Insurance* editorial staff begins the new year with several personnel changes, including a new deputy editor and a new editorial office in Dallas.

Mark S. Rosati is the new deputy editor of *Business Insurance*, succeeding Lorrie Gibson.

As deputy editor, Mr. Rosati is responsible for the day-to-day operations of *BI*'s 23-person editorial staff. These responsibilities include coordinating the news-gathering efforts of *BI* reporters, directing the editing of articles and overseeing the entire editorial production of the weekly news magazine.

Mr. Rosati, 29, is a nine-year veteran of The Associated Press, where he worked both as a reporter and an editor in Providence, R.I., Chicago and Washington.

Mr. Rosati attended Brown University before joining the AP in 1976.

Most recently, Mr. Rosati was a day supervising editor in the AP's 90-person Washington bureau, where he was responsible for editing national and international news stories that were printed by newspapers across the country.

"Mark brings a wealth of experience to his new position with our magazine," said *Business Insurance* Editor Kathryn J. McIntyre.

"Mark is accustomed to directing reporters and editing articles on a wide variety of important and technical issues while working under very tight deadlines," Ms. McIntyre noted.

"Now, Mark will apply his news and editing experience to news involving risk management and employee benefit issues, helping provide *BI* readers with the most up-to-date news package possible each week."

Mr. Rosati, who is based in *BI*'s Chicago home office, can be reached at 312-649-5278.

Ms. Gibson, a 5½-year veteran of *Business Insurance*, resigned as deputy editor at year-end to accept a position closer to her home in downstate Illinois.

Beginning today, Ms. Gibson will be the director of community relations for Kankakee Community College in Kankakee, Ill.

"First as managing editor and then as deputy editor for *Business Insurance*, Ms. Gibson contributed greatly to the development of *BI*," Ms. McIntyre said.

"Although her byline seldom appeared in the

magazine, readers saw the results of Ms. Gibson's work each week in every article that appeared in *BI*," she said.

Business Insurance's new editorial office in Dallas expands *BI*'s news bureaus to five. *BI* also has news bureaus in New York, Washington, Los Angeles and London.

Michael Bradford, an associate editor in *BI*'s New York bureau since June 1984, moved to Dallas to open the *BI* office.

BI had an editorial office in Dallas in 1981 and 1982, but closed it in 1983.

"*BI* reporters have covered news developments in the South and Southeast from the Chicago office and the bureaus, but we know that a physical presence in this important area of the country will improve and expand our coverage of developments there," Ms. McIntyre said.

"We are very fortunate to have an experienced *BI* reporter now on the scene."

The address of *BI*'s Dallas bureau is 1 NorthPark East, Suite 114, 8950 N. Central Expressway, Dallas, Texas 75231. Mr. Bradford's telephone number is 214-363-1066.

Also with the new year:

● Joanne Wojcik O'Hare, 28, has joined *BI* in Chicago as assistant copy editor.

Ms. O'Hare, a 1979 graduate of the University of Illinois at Urbana-Champaign, most recently was assistant news editor at The Daily Sentinel in Grand Junction, Colo., a 33,000-circulation paper.

Before moving to Colorado in 1981 to pursue her journalism career, Ms. O'Hare had been graphics/editorial assistant at *BI*.

Ms. O'Hare can be reached at 312-649-5441.

● Cali Sangalis, 29, has been promoted to assistant to the editor in Chicago. Ms. Sangalis, who became editorial assistant at *BI* in March, assists Ms. McIntyre in various assignments, including responding to telephone calls and correspondence. She can be reached at 312-649-5398.



Mr. Rosati



Mr. Bradford



Ms. O'Hare



Ms. Sangalis

Arizona court ruling allows workers to sue work comp insurers

By STEPHEN TARNOFF

PHOENIX, Ariz.—A state appellate court ruling permits injured workers to sue their employer's workers compensation insurer for bad faith for the non-payment of benefits.

The Arizona ruling could extend such liability for bad-faith claims handling to employers that self-insure their workers compensation programs, attorneys say, although the court did not address this point specifically.

The Arizona Court of Appeals ruled 2-1 last month that bad-faith suits against insurers are not barred by the state Workers Compensation Act, which ordinarily bars suits by injured workers against employers and their workers compensation insurers.

The court found that a bad-faith action is permitted against workers compensation insurers because the alleged damage for non-payment of workers compensation benefits is a separate intentional tort that does not arise from employment.

Further, the court said that Arizona workers compensation law permits suits alleging intentional wrong.

The Arizona case stemmed from workplace back injuries suffered in June 1979 by Walter Franks, an employee of Delta Electric Inc.

Mr. Franks qualified for benefits under the state's workers compensation laws. United States Fidelity & Guaranty Co., Delta's workers compensation insurer, subsequently accepted his claim for benefits, according to the court.

However, between 1979 and 1982, USF&G terminated Mr. Franks' benefits on several occasions.

The case was heard at least three times by an administrative law judge for the state Industrial Commission, and each time the judge found that Mr. Franks was entitled to further medical treatment and workers compensation benefits.

In one ruling, the administrative law judge found that USF&G had "not acted in good faith" after the Industrial Commission had found that Mr. Franks was entitled to further treatment. USF&G refused to authorize any further treatment for Mr. Franks as ordered by the administrative law judge.

"It is apparently the defendant insurance carrier's position that it has an absolute right to an independent medical examination... and can thereby frustrate the final decision of the Industrial Commission," the administrative law judge ruled at one point.

"...By thus scheduling a medical examination every time further medical treatment is ordered for the applicant, the insurance carrier can completely deny to the applicant the benefits to which he is entitled," the judge added.

Mr. Franks and his wife, Edwina, eventually filed suit in state Superior Court, charging that USF&G breached its duty of good faith and fair dealing.

The suit charged the insurer acted intentionally, willfully and wantonly by:

● Failing to make adequate workers compensation disability payments and delaying payment of disability benefits.

Continued on page 6

Plan terminations

Continued from page 2

• A determination by the PBGC that the employer is unable to pay its debts when due and is unable to continue in business.

• A determination by the PBGC that an employer's pension costs have become unreasonably burdensome as a result of a declining workforce.

Also, under the new rules, the cost of terminating a plan would become far greater for many companies.

As under current law, the PBGC would have an automatic right to 30% of a company's net worth to pay for unfunded benefits that the PBGC has to guarantee.

But, in contrast to current law, the PBGC's recovery for unfunded guaranteed benefits would not be limited to 30% of a company's net worth. If an amount equal to 30% of net worth is not sufficient to pay all guaranteed benefits, the employer

would have to make additional payments to the PBGC until 75% of the guaranteed benefits are paid by the company.

For example, a financially troubled employer with no net worth wants to terminate a pension plan with unfunded guaranteed benefits of \$200 million.

To determine an employer's liability to the PBGC, the \$200 million in unfunded guaranteed benefits would be multiplied by 75%, which equals \$150 million. This amount would then be paid by the employer to the PBGC according to a schedule worked out by both parties.

In any year that an employer is not profitable, the company could defer up to 50% of its annual payment to the PBGC until the following year, according to the legislation.

In addition to this extra liability to the PBGC, a financially distressed company terminating a pension plan would be hit with

'There will be a price to be paid if you have significantly underfunded pension plans and you intend to terminate a plan,' pointed out Edward J. Davey, vp-technical analysis at Johnson & Higgins in New York.

added liabilities to plan participants.

In general, a company terminating an underfunded plan would have to pay participants 75% of the difference between the amount of total unfunded vested benefits and unfunded PBGC-guaranteed benefits. However, this liability would be capped at an amount equal to 15% of total unfunded vested benefits.

For example, assume an employer's pension plan has promised \$900 million in unfunded benefits, including \$500 million in unfunded benefits that are guaranteed by the

PBGC.

Seventy-five percent of \$400 million—the difference between the plan's total unfunded vested benefits and unfunded guaranteed benefits—is \$300 million. However, in this case, the employer's liability to the participants would be capped at \$135 million, which is 15% of the \$900 in total unfunded vested benefits.

These new tests would increase the cost of terminating a plan for many employers, a fact that consultants say companies should consider when they establish defined benefit plans.

"Be aware that your potential liability has increased severalfold," said Gerald Uslander, a principal in the Louisville, Ky., office of benefit consultant William M. Mercer-Meindinger Inc.

Aside from increasing an employer's liabilities, the legislation also would give the Internal Revenue Service the right to demand security—like a surety bond—before it allows an employer to defer a required minimum contribution to a pension plan.

While the effect of the legislation is clear, it is unclear just how soon Congress will give final approval to the new pension liability rules and the increase in the PBGC termination insurance premium contained in the budget reconciliation bill. The bill is in limbo at least until later this month when Congress reconvenes.

Nothing about the legislation is certain at the moment, explained Mark Ugoretz, executive director of the ERISA Industry Committee, a Washington-based benefits lobbying organization.

"No one is saying that a budget reconciliation bill will pass. At best, you hear a lot of loud maybes," said Dallas Salisbury, president of the Employee Benefit Research Institute, a benefits think tank in Washington.

However, if the budget reconciliation bill is killed, the PBGC provisions could be attached to another bill, and other legislative strategies are being considered, added Kathleen Utgoff, the PBGC's executive director.

But, if the delay lasts much longer, the PBGC could face some administrative problems.

For example, the PBGC within several weeks must mail premium billing notices to pension plan sponsors. If the legislation is not passed before then, the PBGC would have to send out bills based on the current premium of \$2.66 per pension plan participant, with the possibility that it would have to later duplicate the process if the premium is increased.

"It is a very troublesome situation," said Ms. Utgoff.

IN BUSINESS, THERE'S MORE THAN ONE RISK.

THAT'S WHY YOU NEED A MORE-THAN-ONE-COMPANY AGENT.

Computer Crash. Pollution Liability. Product Recall. D&O Liability. Business Interruption Losses. Product Liability. Key Person Losses. These are just some of the many risks that businesses must face every day. What's the best way to manage these risks? Many risk managers turn to their Independent Insurance Agent. They know that an Independent Agent is a true professional who can recommend creative programs that

utilize traditional insurance, self-insurance, co-insurance, captives, or a combination that best suits the special needs of your business. And because Independent Agents represent several insurance companies not just one, they can help you select the best business coverages at the best price.

So no matter how big or small your business, it's a good idea to consult an Independent Insurance Agent. They're the

more-than-one-company agents ... and helping you manage your business risks is their business.

Contact your Independent Insurance Agent today. You'll find one wherever you find this symbol.



THE MORE-THAN-ONE-COMPANY INSURANCE AGENT.

From The Reprint Department Of:

business insurance

Reporting weekly for corporate risk, employee benefit and financial executives

Do you need to distribute copies of articles appearing in Business Insurance at your meetings or for your mailings?

Business Insurance has expanded its reprint department to meet your needs.

For fast, low cost* reprints of articles appearing in Business Insurance, or to obtain reprint permission for your own copies, call or write:

Reprint Department
Business Insurance
220 E. 42nd St.
New York, N.Y. 10017
212-210-0229

*New prices effective 1/1/86

Arizona ruling

Continued from page 3

• Terminating or denying a claim for workers compensation disability and medical benefits without adequate information.

Mr. and Mrs. Franks sought damages for the "loss of use" of disability and medical benefits, damages for mental and emotional distress and punitive damages.

The trial court dismissed the complaint, saying it did not have jurisdiction, and the Frankses appealed to the state Court of Appeals.

A major issue in the case was whether the Frankses could sue USF&G for bad faith or whether such a suit was barred by the state's Workers' Compensation Act.

The Arizona law provides that an employee's right to recover under the workers compensation system is his or her exclusive remedy against the employer or its insurer unless the injury was caused by the employer's "willful misconduct."

The law also limits the payment of workers compensation benefits to employees injured "by accident arising out of and in the course of his employment."

The Frankses asserted they could sue USF&G directly for bad faith because Mr. Franks' claim did not involve an employment-connected accident but rather was an independent cause of action for a tort that was not within the scope of the law's exclusivity provision.

In cases in which a workers compensation insurer acts in bad faith in settling or paying benefits, a separate tort exists that is not subject to the act's exclusivity provision since the tort is not a direct or natural consequence of the original compensable injury, the Frankses argued.

USF&G contended, however, the benefits payable under the Workers' Compensation Act were the Frankses' exclusive remedy and that a series of cases, including *Sandoval vs. Salt River Project Agricultural Improvement & Power District*, showed that the Superior Court did not have jurisdiction over the claim.

The state appellate court held in the *Sandoval* decision that, under the act's exclusivity provision, a state Superior Court did not have jurisdiction to consider a worker's claims for breach of contract and tortious conduct against a self-insured employer or its claims administrator. The worker had contended he was wrongfully deprived of benefits under the workers compensation law.

In its decision in the Franks case, the appellate court noted that Arizona law permits a "first-party" bad-faith cause of action based on an implied legal duty in an insurance contract that requires the insurer to act in good faith when dealing with an insured on a claim.

A claim by an injured employee against a workers compensation insurer is a first-party claim, the court said.

The court further noted that a common-law tort action independent of the workers compensation system is permitted if the insurer's conduct does not fall within the coverage of the Workers' Compensation Act, the court said. An insurer's intentional misconduct does not fall within the scope of the act, the court said because of the "separate nature" of the intentional tort and an employment-related injury.

Relying on this approach, the court agreed with a Colorado Supreme Court decision that said a workers compensation insurer's intentional misconduct in the processing of a claim is neither a "direct" nor a "natural" consequence of an employment injury.

Thus, any liability for injuries occasioned by such conduct cannot be deemed liability for injuries arising out of the course of employment, the Colorado court ruled.

"We agree with the Colorado Supreme Court that bad faith by a carrier in the handling of a workers compensation claim does not arise out of and in the course of employment," the court said.

"We believe that nowhere does the Arizona Workers' Compensation Act address the injuries claimed by Franks. Therefore, the Workers' Compensation Act with its exclusive remedy provisions does not apply."

The court said the *Sandoval* decision—in which the employee's suit was barred—is not applicable under the facts in the Franks case since the *Sandoval* case:

• Did not involve an allegation of bad faith against an insurer.

• Did not include a finding of bad faith by the Industrial Commission.

• Was decided long before the tort establishing bad faith in Arizona was decided.

• Did not recognize the possibility of a tort action brought in the

'We can anticipate that threats of bad-faith actions will become routine in every situation in which a self-insurer or carrier has taken an adverse action in the processing of a claim,' says work comp defense attorney Merton E. Marks.

Superior Court.

• Alleged deprivation of benefits, while the claim in the Franks case alleged damages due to the tort of bad faith.

The court added that permitting the Frankses' suit against USF&G dovetails with the section of the Workers' Compensation Act permitting suits against employers or insurers in cases in which an "intentional injury" is alleged. Two prior Arizona cases hold that bad faith is an intentional tort, the court said.

In a separate section of the opinion, the court also held that Mr.

Franks was not barred by the Arizona Constitution from bringing his tort claim against USF&G.

However, in a vigorous dissent, Judge Levi Ray Haire wrote the *Sandoval* decision should be applied in the Franks case, stressing that the Frankses' suit against USF&G should be barred.

Judge Haire said, "It makes no sense" not to follow the *Sandoval* precedent on the basis that the case did not involve allegations of bad faith against an insurer.

"When stripped of excess verbiage, the allegations in *Sandoval* and in this case are substantially

similar in legal theory," Judge Haire said. "They both assert claims for damages based upon the allegedly tortious manner in which the carrier or its representative administered the plaintiff's claim for workers' compensation benefits."

Judge Haire also said the *Sandoval* decision entirely precluded the possibility that a tort action could be brought within the Superior Court's jurisdiction.

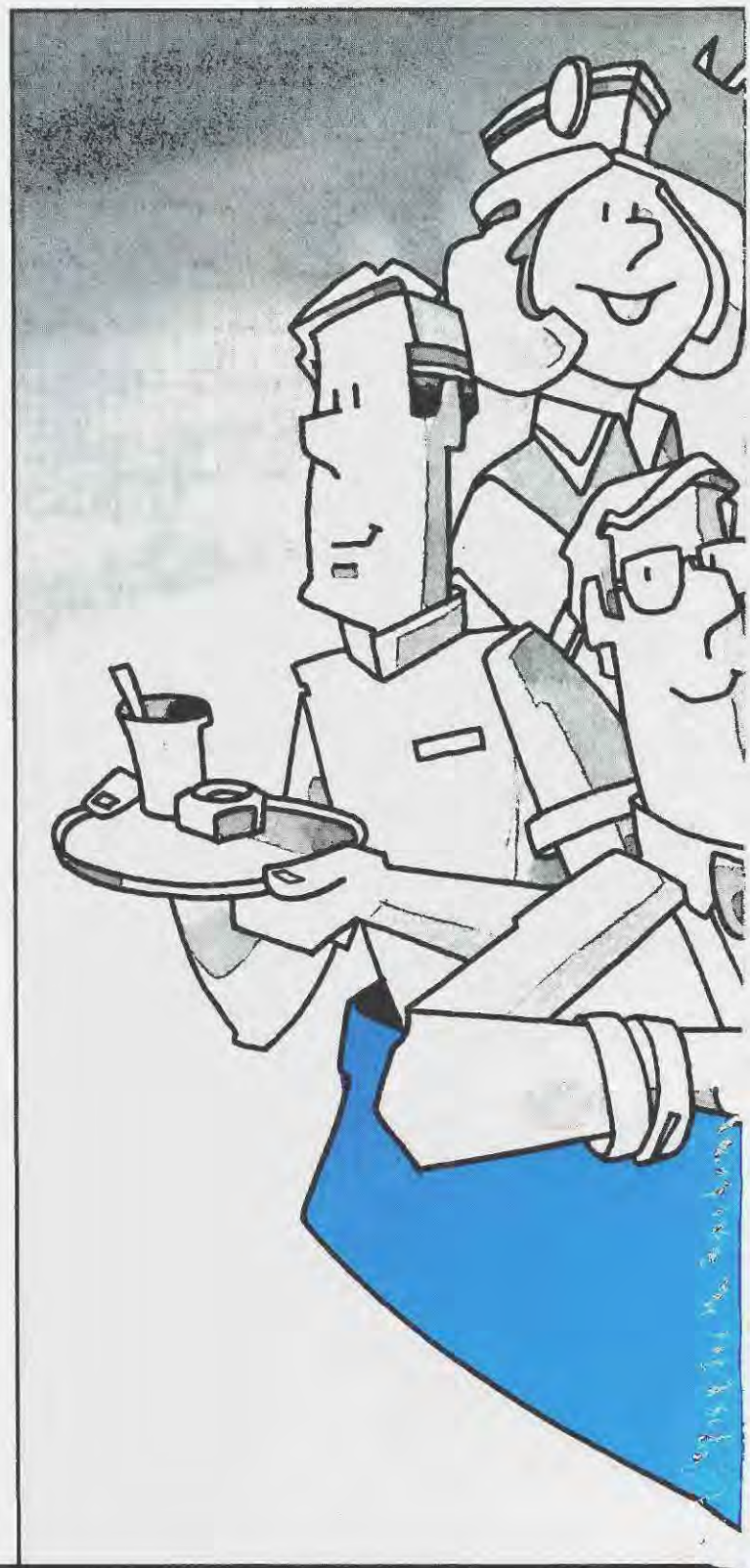
He added that the majority opinion's reliance on the exception in the Workers' Compensation Act's for intentional conduct was wrong.

"From the statutory language it is immediately apparent that the exception applies only to willful misconduct of the employer, where the act causing the injury is the personal act of the employer," Judge Haire said. "Here, the alleged misconduct or intentional acts were those of the insurance carrier, not the employer."

A spokeswoman for USF&G said

Continued on next page

Our New LTD Wears a Collar of a Different Color



Provident Mutual Group Sales and Pension Offices

Atlanta Suite 990, 211 Perimeter Center Parkway, Atlanta, GA 30346 (404) 393-1300 • **Baltimore/Washington** Suite 408, 20 Columbia Corporate Center, 10420 Little Patuxent Parkway, Columbia, MD 21044 (301) 598-4800 • **Charlotte** Suite 1111, United Carolina Bank Building, 212 South Tryon Street, Charlotte, NC 28281 (704) 376-6209 • **Chicago Area** Suite 240, 1100 Jorie Boulevard, Oak Brook, IL 60521 (312) 325-9222 • **Dallas** Suite 518, One Turtle Creek Village, Dallas, TX 75219 (214) 526-4350 • **Detroit Area** Suite 204, 26200 Lahser Road, Southfield, MI 48034 (313) 354-5850 • **Greensboro** P.O. Box 10400, Greensboro, NC 27404 (919) 294-4240 • **Houston** Suite 102, 2121 Sage Road, Houston, TX 77056 (713) 621-7650 • **Minneapolis** Suite 240, BLN Office Park, 2001 Killebrew Drive, Bloomington, MN 55420 (612) 854-4122 • **New England** Russia Wharf, 4 Central, 270 Congress Street, Boston, MA 02210 (617) 423-4283 • **New York** Suite 700, 150 East 52nd Street, New York, NY 10022 (212) 759-0111

Brazil calls for probe of reinsurer in London

By STACY SHAPIRO

LONDON—The Brazilian government has ordered a parliamentary inquiry to determine why the London operations of Instituto de Resseguros do Brasil, a reinsurer that is half-owned by the government, lost more than \$440 million since 1975.

IRB ceased underwriting in London at the end of 1982, but it continues to run off its accounts, said Antonio Dutra, the reinsurer's deputy manager in London (*BI*, Jan. 24, 1983).

"The runoff will take a long time. It will be another five years just to get it to a more manageable size," Mr. Dutra said.

The Brazilian Congress called for

"I would assume that it does" apply to self-insured employers, said Mr. Marks, who is a partner with the law firm of Lewis & Roca in Phoenix.

Mr. Marks also contends that the decision further erodes the exclusive remedy of workers compensation and will result in increased litigation against workers compensation insurers and self-insured employers.

"We can anticipate that threats of bad-faith actions will become routine in every situation in which a self-insurer or carrier has taken an adverse action in the processing of a claim," he said.

As a practical matter, however, very few suits will result in verdicts in favor of claimants because most claims decisions made by insurance companies are either fully justified by the evidence or are at least a reasonable, good-faith course of conduct based on available information, according to Mr. Marks.

The increased litigation, however, would add to insurers' or self-insurers' legal costs, he added.

Plaintiffs' attorney Mr. Thur said the decision should not result in a substantial number of lawsuits against insurers.

"I don't think there will be any avalanche of bad-faith suits against workers compensation carriers, although there may be a small number that arise," Mr. Thur commented.

The decision could encourage insurers not to act in bad faith, thereby reducing the need for litigation, he said.

Mr. Thur added he did not think that the decision eroded the exclusive remedy doctrine.

The exclusive remedy applies only to injuries arising out of or in the course of employment, he explained, while injuries stemming from the bad-faith misconduct of insurers in handling of workers compensation claim does not arise out of the course of employment. ■

london line

the inquiry into IRB's London operations because "I believe they want to know what happened and if there was any mismanagement," he added.

In addition to the Brazilian government's share of IRB, the other 50% is owned by private shareholders.

In its 1984 annual report, IRB's London operation shows that between 1975 and 1984 it paid claims of more than \$890 million and reserved more than \$242 million for outstanding and incurred but not reported claims.

The accounts also show that between 1975 and 1984 IRB collected \$816.1 million in gross premiums, \$622.9 million in net premiums and incurred a total loss of \$443.5 million.

Reinsurance rule

Lloyd's of London has passed a reinsurance to close bylaw to complement the syndicate accounting bylaw passed in 1984.

The new bylaw, passed Dec. 9, deals with the mechanics of reinsurance to close.

Under the accounting system used by Lloyd's, accounts are left open for three years to gather "sufficiently accurate" claims information.

At the end of three years, Lloyd's syndicates estimate the amount of outstanding and incurred but not reported claims and pay that sum as a reinsurance premium credited to the next year's account—a procedure known as reinsurance to close.

The new law requires that all reinsurance to close "shall be evidenced by a contract in writing" and signed, stamped and dated at the Lloyd's Policy Signing Office, where all Lloyd's policies are stamped.

The contract must be presented to the Lloyd's Policy Signing Office within 12 months after the date from which the reinsurance to close takes effect.

Also, under the bylaw, underwriters can use only a Lloyd's broker or a Lloyd's managing agent to accept or place reinsurance to close.

EC directive

The British Department of Trade and Industry has issued a consultative document seeking views from the public on how to implement the product liability directive that was passed by the European Community in July.

The EC directive will make producers and importers throughout the Common Market strictly liable for damage caused by defects in their products (*BI*, Aug. 5, 1985; Oct. 21, 1985).

The Department of Trade and Industry points out that some European Community member nations plan to adopt the development risk defense in the directive, which says that a producer will not be liable if it can prove that the state of scientific and technical knowledge at the time the product was made did not enable the producer to discover a defect.

Copies of the consultative document, entitled "Implementation of EC Directive on Product Liability" are available from the Consumer Safety Unit of the Department of Trade and Industry, Room 2713, Millbank Tower, London, England SW1P 4QU.

Comments should be submitted by Feb. 19. ■



With our expanded LTD, you can go beyond "white collar" and put more than a million companies on your prospect list. Traditionally, LTD plans limit their preferred category to "white collar" professional firms, which comprise only 11% of the market. At Provident Mutual, we realize that times have changed. Advances in technology mean that occupational groups previously ineligible for LTD may now qualify.

Our LTD expands the definition of eligible groups to include coverage for many high growth, high income employer-employee groups — groups which may include up to 80% "higher risk" occupations. We offer a complete array of plan designs, allow high monthly maximums, and include provisions for pre-existing conditions. Call us today, at any of our Group Offices listed below. We'll help you design the plan you need to button down that prospect who wears a collar of a different color.



PROVIDENT MUTUAL
SECURITY THROUGH FINANCIAL SERVICES

North & Central New Jersey Suite 301, 600 South Avenue, Westfield, NJ 07090 (201) 233-3400 • **North California** Suite 2475, 120 Montgomery Street, San Francisco, CA 94104 (415) 392-5117 • **Florida** Suite 330, 555 Winderly Place, Maitland, FL 32751 (305) 660-0801 • **Philadelphia** Suite 1506, Two Penn Center Plaza, Philadelphia, PA 19102 (215) 568-3930 • **Southern California** Suite 1510, 3250 Wilshire Boulevard, Los Angeles, CA 90010-1605 (213) 383-6000 • **Mid-Atlantic Pension Office** Suite 141, 111 Presidential Boulevard, Bala Cynwyd, PA 19004 (215) 667-5545 • **Midwest Pension Office** Suite 240, 1100 Jorie Boulevard, Oak Brook, IL 60521 (312) 325-9222 • **Northeast Pension Office** Suite 700, 150 East 52nd Street, New York, NY 10022 (212) 759-0111 • **Southern Pension Office** Suite 1105, 212 S. Tryon Street, Charlotte, NC 28281 (704) 377-0563

opinions

1986 holds many challenges

WELCOME TO 1986.

For risk managers, the year promises—or should we say threatens—to be the most challenging ever. Although risk managers strive to be more than just insurance buyers, the fact is that this year assembling adequate limits of liability insurance on appropriate insurance forms will be one of the most difficult tasks (see stories, page 1).

But, the best risk managers will do far more than comb the commercial insurance marketplace for limits.

Risk managers must go back to the basics. They must reassess their companies' insurance needs instead of just buying what the market has to offer. And, they must become expert in the various claims-made insurance forms to make intelligent purchases.

And, when risk managers find the marketplace can't satisfy their insurance needs, they have to explore new options. They can create new capacity by participating in the formation of new insurance companies, like ACE Insurance Co. Ltd., Tortuga Casualty Co. and the many new special-coverage insurance companies.

Furthermore, higher liability insurance costs will help risk managers sell management on new loss-prevention and loss-control programs, which unfortu-

nately fell in priority in recent years.

For employee benefit managers, the new year promises to deliver a new wave of tax legislation affecting employee benefit plans. Their lobbying will be tested, and finally they will have the responsibility for re-drafting and introducing benefit plans that conform with whatever changes are required by the new tax legislation.

At the same time, employee benefit managers will have to work hard to stay on top of changes in the health care delivery system to spot the new opportunities to control their employers' health care costs.

For commercial property/casualty insurers, the new year is an opportunity to return their companies to profitability. But, they have to convince policyholders and insurance regulators that their higher rates are fair. And, they have to reach a compromise with insurance buyers and regulators on claims-made commercial general liability forms and the cost-containment program for defense costs.

For commercial group health and life insurers, the new year heralds more competition to provide economical products to attract customers.

It's going to be interesting, to say the least.

letters

Figures on pension benefits cuts were 'mangled'

To the editor: When I wrote, a month or two ago, to point out the mangled clichés some of your sources were using, a sometime *BI* columnist wrote back observing that the mangling may have been done by copy editors. After reading the printed version of a letter I wrote on the Ways and Means Committee's proposed limits on tax-free pension benefits and contributions, I have come to share his respect for the unnamed gremlins at 740 N. Rush. Numbers I used in my letter were incorrectly printed.

I wrote that a \$90,000 retirement income (pension plus Social Security) replaces 60% of a \$150,000 earned income and 75% of a \$120,000 earned income (not \$25,000 as it appeared). Unfortunately, your readers think I think it replaces 75% of \$25,000 earned income. The \$120,000 figure correctly appears in the next sentence, but by that time, the reader is too confused to go anywhere with it.

Also, having listened to the anguished cries of Trent Lott, Newt Gingrich, Rich-

ard Cheney and friends for weeks, I am quite aware that the House bill cuts the maximum personal tax rate to 38%, rather than to 35%, as the president and his conservative friends demanded. But your readers don't know I'm aware of those critical eight percentage points, since someone "corrected" my 38 to 30.

I appreciate the editorial note you appended to my letter, since it reinforced precisely the point I was making. Based on 1983 Employee Benefit Research Institute data, only about a third of non-farm workers have any vested pension benefits at all. Perhaps another 20 million are participants in pension or profit-sharing plans, but millions of those participants will never vest in their benefits. And, it hardly seems necessary to comment on

the retirement-income situation of farm-workers—or even family farmers—under current economic conditions.

If every American worker were assured of 60% income replacement in retirement and we weren't running up huge deficits and our educational system worked effectively and we had an adequate "safety net" for the homeless and sick and hungry, it might make sense to tax-subsidize the second hundred thousand dollars of annual retirement income for those who need that second hundred thousand to maintain their lifestyles. Until that happy day arrives, however, it does not seem terribly scroogelike to mutter, "Let them use post-tax dollars!"

Mary Carroll
Chicago, Ill.

Punitive damages protect consumers

To the editor: The statement made by the insurance trade associations that punitive damages "are essentially criminal in nature and have no place in a civil liability system" is about as ludicrous and insidious as it is inaccurate (*BI*, Dec. 16, 1985).

The concept of punitive damages exists primarily for the good of the public and only secondarily to the defendant awarded such damages. Its intent is to truly "punish" the wealthy tortfeasor who has maliciously wronged a plaintiff when the normal compensatory damages allowed in such a case would not serve as a true deterrent for the plaintiff to discontinue such acts at large.

What we must beware of is throwing out the baby with the bathwater. Has this venerable assemblage overlooked the fact that punitive damages, as has been done in the state of New York, can be excluded

from the insurance contract?

But, more importantly, I must challenge any and all groups that would propose to deny me my legal rights because they have failed to do their job properly. If the insurance industry, or any other, can arbitrarily take away my right to punitive damages today, what rights will they be allowed to take away tomorrow?

We know who the real culprit is for the sad state of affairs of combined ratios throughout the industry, and let's hope that any further witch hunting will be forsaken. I have no desire to entrust the safekeeping of my legal rights to an insurance industry that has clearly failed to keep order within its own ranks.

To that individual who would "abolish" punitive damages, I say: Let he who is without sin cast the first stone.

John A. Churilla
Huntington Station, N.Y.

Claims-made will not reduce litigation

To the editor: The proposals on tort reform by the insurance trade associations to the NAIC are certainly needed (*BI*, Dec. 16, 1985). I hope they at long last intend to do more than give "lip service" to tort reform.

I just can't understand, however, why they continue to champion the claims-made form. Isn't there anyone among them who will suggest removing the abuses from the present occurrence form by defining or redefining some of the terms?

There is one insidious limitation in the claims-made form I have not yet seen addressed: Are the companies going to cover a claim made during the policy period for

a product ingested before the retroactive date? Or a machine designed and sold before the retroactive date? I am assuming, of course, there is no old occurrence policy laying around to pick up the tab.

Of course, they are going to opt for the ingestion or design date to deny coverage. I'll bet, however, the judges are going to find coverage by opting for the manifestation date.

Don't let anyone kid you that the claims-made form will reduce coverage litigation.

Lawrence J. Bell
Assistant Vp-Risk Management
Revco D.S. Inc.
Twinsburg, Ohio

Kudos to RIMS during 'trying period'

To the editor: As we reflect on the closing of 1985, risk managers recall a very difficult year where time constraints allowed precious little time for other professional activities. Throughout this trying period, the Risk & Insurance Management Society carried the torch and banner on behalf of every risk manager in its effort toward restructuring the proposed claims-made policy.

RIMS' aggressive posture with the Insurance Services Office, National Assn. of Insurance Commissioners and in Senate hearings should not go unrecognized. Every risk manager, whether a RIMS member or not, owes RIMS a big "thank you" for the untiring efforts in addressing difficult issues in difficult times.

Gerald Ciardelli
Risk Manager
Jostens Inc.
Minneapolis

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

business insurance®

Reporting weekly for corporate risk, employee benefit and financial executives

Publisher: Alfred Malecki (New York)

Editor: Kathryn J. McIntyre, A.R.M. (Chicago)

Deputy Editor: Mark S. Rosati (Chicago)

Managing Editor: James M. Burcke (Chicago)

Assistant Managing Editor: Dave Lenckus (Chicago)

CHICAGO: Alison Kittrell (Copy Editor)

Joanne Wojcik O'Hare (Assistant Copy Editor)

Carol Cain (Associate Editor)

Meg Fletcher (Associate Editor)

Stephen Tarnoff (Associate Editor)

Linda J. Collins (Agent/Broker Topics Associate Editor)

Donna DiBlase (Staff Reporter)

Mariou Jones (Directory Editor)

Holly E. Seguire (Graphics Editor)

Amy Palmer (Graphic Artist)

Paul Winston (Proofreader)

Cali Sangalis (Assistant to the Editor)

DALLAS: Michael Bradford (Associate Editor)

LONDON: Stacy Shapiro (London Editor)

LOS ANGELES: Robert A. Finlayson (Bureau Chief)

Steve Taravella (Associate Editor)

NEW YORK: Douglas McLeod (Bureau Chief)

Judy Greenwald (Associate Editor)

WASHINGTON: Jerry Geisel (Washington Editor)

Advertising Director: Donald A. Walsh (New York)

Midwest Sales Manager: Robert L. Niesse (Chicago)

CHICAGO: Deborah D. Neale (District Manager)

Beverly J. Kluxdal (District Manager/ Classified Sales)

Fran Prybylo (Production Manager)

LOS ANGELES: Michael J. Sharpe (District Manager)

NEW YORK: Charles A. Horvath (District Manager)

Jack Forrest (District Manager)

Martin J. Ross (District Manager)

Courtney Bauer (District Manager)

Director of Communications: Ronnie I. Drachman

(New York)

EDITORIAL: Chicago: 312-649-5398

Dallas: 214-363-1066

London: 01-404-4228

Los Angeles: 213-651-3710

New York: 212-210-0100

Washington: 202-662-7200

ADVERTISING: New York: 212-210-0133

Chicago: 312-649-5276

Los Angeles: 213-651-3710

COMMUNICATIONS: New York: 212-210-0132

CIRCULATION: Detroit: 313-446-6492

Published by Crain Communications Inc., Chicago

G.D. CRAIN JR.

Founder (1885-1973)

MRS. G.D. CRAIN

Chairman

KEITH E. CRAIN

Vice chairman

S.R. BERNSTEIN

Chairman-executive committee

RANCE CRAIN

President

MARY KAY CRAIN

Treasurer

MERRILEE P. CRAIN

Secretary

WILLIAM A. MORROW

Senior Vp-operations

H.L. STEVENSON

Corporate editor

Published weekly at 740 Rush St., Chicago, Ill. 60611, Telex 25-4248, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017, Telex 604207 CRAIN COM NYK; 1 NorthPark East, Suite 114, 8950 N. Central Expressway, Dallas, Texas, 75231; Suite 814, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 20-22 Bedford Row, London WC1R 4EB, England. \$1.50 a copy. \$60 a year in U.S. Canada and all other foreign add \$16 for surface mail. Europe and Middle East only add \$45 for air delivery. First-class mail to U.S. and Canada only, add \$48. Bermuda only, \$105 per year expedited delivery. WILLIAM STRONG, vp-circulation. NICK CAVNAR, circulation manager. JOHN HUFFMAN, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 985 E. Jefferson Ave., Detroit, Mich., 48207, or phone 313-446-6492. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Department, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229.



Member of Business Publications Audit of Circulation



THE TENTH INTERNATIONAL CAPTIVE INSURANCE AND REINSURANCE FORUM



Positioning For Leadership

March 12-14, 1986

The captive industry of the modern era was born, for the most part, in the hard market of a decade ago. It has survived the soft market of recent years and is now assuming new importance in the current capacity crunch.

At **The 10th International Captive Insurance and Reinsurance Forum**, the threads of captive insurance company developments of the past ten years will be taken up and woven into a picture of the captive insurance industry today and will explore the directions it may be taking in the future. Each day of the conference has a different theme—The World Scene; Past and Present; and Future Directions. **The 10th International Captive Insurance and Reinsurance Forum** continues a pattern of reporting changes in the worldwide insurance industry and analyzing their effects on the companies and the people involved.

Major topics include:

- Taxes—The Big Bite • Patterns of Insurance Regulation • Group Captives
- Managing Captives • Reinsuring International Employee Benefits
- Single Parent Captives • The Bermuda Scene • 1986 Insurance Market: A World View

Four concurrent workshops on Thursday will include: Taxes and Legal Aspects; Association Captive Case Study; Marketing Your Reinsurance—An Actuarial Viewpoint; and Capacity Creation.

Captives in Brief: March 11, 1986

The one-day basic introductory seminar **Captives in Brief** will cover the fundamentals of corporate risk financing alternatives and the role played by captive insurers. The course has been modified in 1985 to reflect the growing interest in the development and management of association captives.

Captives in Brief—US\$300.

Fee: 10th International Captive Insurance and Reinsurance Forum—US\$750 (US\$650 for subsequent registrant(s) from the same company.)

The Hamilton Princess Hotel • Bermuda

To register, or to receive additional information, please contact the Conference Director at:
Tillinghast, Nelson & Warren, Inc. 722 Post Road, Darien, CT 06820
203/655-9791 • FAX 203/656-0428 • Telex: 996358

Keeping a watch on your business



is our business.

Use this form, or the card in this issue, to enter your subscription to Business Insurance. Or call 313/446-0492.

Business Insurance

Circulation Dept. 965 E. Jefferson Ave., Detroit, MI 48207

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here.) **Surface Mail.** **By Air.**
 USA \$60 \$108
 Canada \$76 \$105
 Bermuda (Air only) \$105
 Europe/Middle East (Air only) \$105
 All other foreign \$76 Rates on request.

new subscription. renewal. payment enclosed.
 bill me. bill company.

name (please print)

title telephone

company

nature of business

business or home address

city state/country zip/postal code

Please send information on your special 20%-off group rate for five or more subscriptions.

I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.

Mail to: Business Insurance
 Circulation Dept. 965 E. Jefferson Ave., Detroit, MI 48207

HA6

Insurer insolvency primary concern of state regulators

By STEVE TARAVELLA

RENO, Nev.—In conference rooms, hotel corridors and hospitality suites, conversation at the National Assn. of Insurance Commissioners' year-end meeting focused on one topic: insurer insolvency.

"It seems like we're getting one a week," said Alabama Insurance Commissioner Tharpe Forrester.

As a testimony to the commissioners' concern, two special morning sessions were added to the NAIC conference schedule to ad-

dress questions about the liquidation proceedings against Mission Insurance Co. and Transit Casualty Co.

Mission was placed in conservation in California on Oct. 31, and Transit Casualty was seized by the Missouri Insurance Department in November (BI, Nov. 11, 1985; Dec. 2, 1985). In addition, the NAIC's Insurance Regulatory Information System, a computer monitoring system designed to red-flag insurers approaching financial trouble, has targeted 789 insurers this year, 16% of all companies reporting, said Bruce W. Foudree, Iowa insurance commissioner and outgoing NAIC president.

Insolvencies is the insurance industry's "No. 1 problem," he added. But, the NAIC should not be held responsible for insolvencies, just for handling them properly once they occur, he said.

"Diseased companies should be liquidated before they lose their surplus. Our job is not to keep them healthy or to make them well again," said Mr. Foudree, who recently took control of both Iowa National Mutual Insurance Co. and Carriers Insurance Co. (BI, Sept. 30,

Continued on next page

Capital, surplus minimums hiked

RENO, Nev.—The National Assn. of Insurance Commissioners has increased the minimum amounts of capital and surplus required of surplus lines insurance companies.

The NAIC adopted the changes as recommended by its Surplus Lines Task Force.

The rules, which amend Section 5 of the Model Surplus Lines Law, require surplus lines insurers to gradually increase their capital and surplus over the next six years to:

- \$2.5 million one year after enactment of the law by a state, up from \$1.5 million established in 1982.
- \$3.5 million three years after enactment, up from \$2.5 million.
- \$4.5 million five years after enactment, up from \$3.5 million.
- \$6 million six years after enactment, up from \$5 million.

"The proposed increase sets a standard which most surplus lines insurers are capable of meeting while at the same time sets a barrier before the entry or continued participation of undercapitalized entities in the market," states an explanation of the change by Donald J. Greene of the law firm LeBoeuf, Lamb, Leiby & MacRae. Mr. Greene is chairman of the 12-member advisory committee that initially proposed the changes.

Regulators considered raising to \$2.5 million the amount in trust required of alien companies doing business in the United States as surplus lines companies, but supported the advisory committee's recommendation to leave the eligibility requirement at \$1.5 million.

SCJ is in it for the long run.

SCJ Insurance prides itself in its eleven year history of creating profitable relationships for its partners in specialty risk.

SCJ Insurance has a single goal—providing opportunities for profit—and a single business: specialty risk lines.

For more than a decade, amid fluctuating market conditions, SCJ Insurance has provided stability and profitability for both agents and underwriters. When you want stable markets in specialty lines, SCJ is prepared to go the distance.



P.O. Box 9 Pleasanton, California 94566 (800) 972-5232

Continued from previous page
1985; Dec. 16, 1985).

Regulators could better protect policyholders and the state guaranty fund system if they liquidate a company while its assets and liabilities are "still relatively matched," he said.

"If we say we want competition, then does it make sense to try to save badly managed, uncompetitive companies?" Mr. Foudree asked.

"Are we as regulators really supposed to guarantee anyone with the couple of million it takes to set up a company that they will be a success, and that if they aren't, regulators will show them how to make it work?"

"Our job is to monitor reserve adequacy," Mr. Foudree said. "I do not think our goal should be to prevent insolvencies. As long as we have a free enterprise system, companies will fail."

While insurance regulators cannot be expected to stop an insolvency, they can minimize the size and scope of the problem if they know soon enough "that trouble is brewing," he said.

To do this, Mr. Foudree says regulators can:

- Insist that insurers file reports of key financial indicators more frequently.

"Too many failures are occurring between scheduled exams," Mr. Foudree said. "And, by the time we find out a company is in financial difficulty, it's often too late to do anything, including sell the company."

- Use targeted exams more often, emphasizing reinsurance and loss reserve development.

Automated data collection systems can help speed up the exam process, he noted.

- Monitor more closely changes in both premium volume and policy count.

- Monitor more closely the management activity or inactivity at insurance companies.

"Regulators will need to look beyond the numbers," he said, suggesting that annual company "management reports" should be required.

About 90% of all insolvencies are caused by bad management and poor underwriting, Mr. Foudree said.

- Take action against an ailing company as soon as possible.

"Companies should be liquidated as soon as possible if the regulator finds management has done a poor job and refuses to correct the problems that exist," Mr. Foudree explained.

Situations that should prompt regulatory action include inadequate premiums, climbing combined loss ratios, rising policy count and premium volume, a lack of financial controls, sloppy underwriting or suspect accounting practices.

The most vocal discussion of insolvencies at the NAIC meeting occurred at the Rehabilitators and Liquidators Task Force meeting, where regulators received updated information on some 99 insolvencies in 28 states.

For example, the Tennessee Insurance Department revealed in a status report submitted at the meeting that "litigation will soon be instituted" to resolve disputes between Cherokee Insurance Co. and several of its reinsurers, who are refusing to honor Cherokee claims.

Nonetheless, Cherokee's rehabilitation is proceeding "in an orderly fashion," the report maintains.

Cherokee was placed in voluntary rehabilitation in 1984 (BI, July 23, 1984).

Oregon insurance regulators have extended until June 4 the deadline for filing claims against North-West Insurance Co., which was placed in liquidation in December 1984 (BI, Jan. 7, 1985; Dec. 24, 1984; Dec. 10, 1984; Nov. 5, 1984).

The Delaware Insurance Department was particularly aggressive in 1985, seeking receivership for about six companies, Commissioner David N. Levinson noted.

One of those insurers, American Protective Excess Insurance Co., had only about \$70 in the bank when it was closed, he said. American Protective is based in Chicago but domiciled in Delaware.

Mr. Levinson said the Delaware department has averted several insolvencies by working with the insurers' parents to secure additional funds before the problems of the subsidiaries became too severe.

One parent company, he noted, kicked in \$50 million.

At the request of Patricia A. Borowski, vp-government and industry affairs for the National Assn. of Professional Insurance Agents, regulators were asked to notify the PIA and other agent/broker groups as soon as possible when action is taken against an insolvent insurer. ■

A Special Portfolio For Insurance Professionals...



about PREPAID LEGAL INSURANCE.

Write for it...it's FREE!

Learn how you can expand your Group accounts...and stay a full stride ahead of competition.

Prepaid Legal Insurance from Midwest provides you with an added group program that will complement the life and health plans you already service.

Midwest Legal Services, Inc. is now the administrator for Midwest Mutual Insurance, the leader in underwriting Prepaid Legal plans.

Take a good look at this rapidly growing area of protection for the American family...

WRITE OR CALL:



Wesley T. Graham, President or
Deborah Stuber, Dir. of Administration
Midwest Legal Services, Inc.
1111 Ashworth Road
West Des Moines, IA 50265
1/800-247-4184
(in IOWA, (515) 223-2046)

Solution to puzzle on page 16.



Unionmutual

The UNION commitment to excellence!™

New NAIC head committed to state regulation

By CAROL CAIN

RENO, Nev.—The new leadership of the National Assn. of Insurance Commissioners is committed to keeping insurance regulation in the hands of the states and preserving the unified posture of the NAIC.

New NAIC President Josephine M. Driscoll, Oregon's insurance commissioner, is calling on fellow regulators "to maintain the NAIC as a strong and uniform forum where state regulation can be discussed, progressive ideas exchanged and avenues of solid reform adopted."

Ms. Driscoll, 62, was elected president of the NAIC during the association's winter meeting in Reno, Dec. 8-12. She is the first woman elected to the position.

Edward J. Muhl, 40, Maryland's insurance commissioner, was elected vp.



Ms. Driscoll

By keeping the NAIC unified, it can thwart attempts by Congress to regulate insurance, Ms. Driscoll said.

"We have Congress looking closely at commercial liability problems and at the prospect of additional federal activity in the regulation of insurance," she said.

Both Ms. Driscoll and 1985 NAIC President Bruce Foudree, Iowa's insurance commissioner, testified several times in 1985 on various in-

'We have Congress looking closely at commercial liability problems and at the prospect of additional federal activity in the regulation of insurance,' said Josephine Driscoll, the new NAIC president.

urance issues before Congressional committees.

Ms. Driscoll plans to call upon several state commissioners to speak on state regulation before Congress and state legislatures this year.

She said state regulators "must continue personal involvement and keep the NAIC a place where free and open discussion exists."

Regulators will face another year

of intense activity individually and as members of the NAIC, she said, noting that "affordability and availability issues will persist."

Ms. Driscoll said that other major concerns for regulators are insurer solvency and consumer protection in the tight marketplace, subjects she frequently addressed in recent months as vp of the NAIC. She believes that regulators can best address those concerns by examining

insurance company records more frequently.

"We need more examiners to go out and examine more companies more frequently...but even this isn't going to solve all the problems," Ms. Driscoll told state legislators last month at the annual meeting of the Conference of Insurance Legislators in Phoenix, Ariz.

"I'm committed to this next year...and will do everything I can to improve examinations," Ms. Driscoll said.

She pointed out that in several states the NAIC is testing new computer programs in insurer solvency examinations that allow examiners to look at thousands of items. In the past, without the aid of the programs, examiners could review only a few sample items, she said.

Ms. Driscoll has 20 years of regulatory experience, beginning in 1966, when she joined the Montana Insurance Department. She was appointed chief deputy insurance commissioner there in 1977, a spot she held for four years. She was the first woman appointed to that post.

In 1981, Ms. Driscoll joined the Oregon Insurance Department as its assistant commissioner. Later that year she was appointed commissioner after the death of Commissioner W.W. Fritz. Again, she was the first woman to hold that position.

Ms. Driscoll was born and educated in Montana. At the age of 16, she worked in a branch office of Fireman's Fund Insurance Cos. as a mail clerk. She left 13 years later as the office manager.

In 1955, she moved to Seattle, where she was employed by Wolfstone & Co., a general agency. She returned to Montana in 1966.

Peers of Ms. Driscoll describe her as "tough," "fair" and "hard-working."

"Jo is a very dynamic person who gets things accomplished," said Robert E. Miller, Oregon's assistant commissioner.

"She's straightforward and always makes her position clear," he said. "She has enthusiasm to tackle problems and has a lot of courage."

Mr. Muhl, who as vp will assist Ms. Driscoll, most recently was chairman of the NAIC's Commercial Lines-Property and Casualty Committee. The committee discussed items such as the Insurance Services Office's new commercial general liability form.

Mr. Muhl concurs with Ms. Driscoll that the states rather than the federal government should control insurance matters.

Mr. Muhl was appointed insurance commissioner in Maryland in June 1983, after serving 18 months as deputy commissioner and acting commissioner.

From 1973 to 1982, Mr. Muhl was the director of claims for the Maryland Automobile Insurance Fund. From 1970 to 1973, he was employed by Nationwide Insurance Co.

And, from 1968 to 1970, he was a claims adjuster for the General Adjustment Bureau.

Mr. Muhl also served as a committing magistrate for Baltimore County in Maryland from 1968 to 1971.

Mr. Muhl has an undergraduate degree from the University of Baltimore and a certificate in the real estate agent/brokers program from Catonsville Community College. Mr. Muhl currently is enrolled in the Chartered Property Casualty Underwriter program.



Mr. Muhl

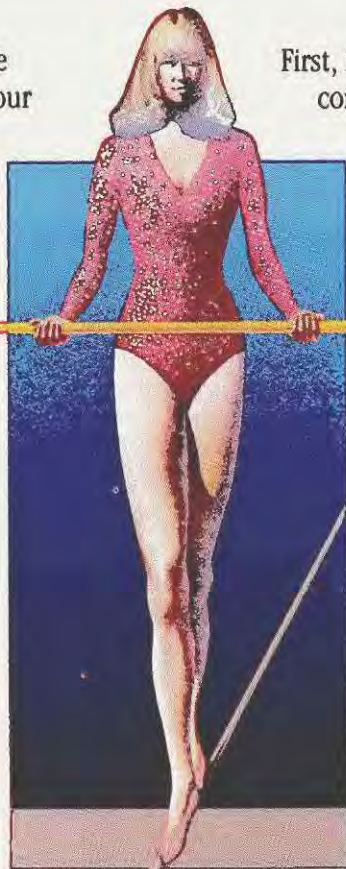
HEALTH NET. The Well-Balanced Approach To Health Care.



You've been walking a fine line. Trying to balance your employees' desire for health care that's expert and convenient, with your need to provide them with a health plan that's

comprehensive...and cost effective. And with so many HMO's, PPO's and indemnity programs pulling you this way and that, it's no wonder you're feeling unsteady about which health plan your company should offer. Health Net helps you keep your balance.

With Health Net, Southern California's largest network of health professionals...hospitals, physicians, specialists, nurses and technicians, you can meet all your employees' health care needs. Right in their own communities. Offering your employees this wide range of high quality medical care not only makes good health sense, it makes good business sense, too.



First, Health Net costs less than any other comprehensive health plan. And, we support your company's health promotion efforts with nutrition, exercise, weight control, stress reduction and alcohol/drug abuse programs, along with providing

on-site health screening and testing. By keeping your employees well, you'll have less down time and greater productivity. That's another way Health Net saves you money.

So in today's topsy-turvy health care arena, where choosing a medical plan can be an unsettling experience, it's good to know there's Health Net. Offering you and your employees a well-balanced approach to health care.

For further information, call 1-800-621-5560

Health Net
P.O. Box 9103
Van Nuys, CA 91409



HEALTH NET
The Next Step

Health Net is available for companies with 25 or more employees.

NAIC proposal tightens financial guarantee rules

RENO, Nev.—Multiline insurers that want to write financial guarantee insurance would have to establish a separate subsidiary—with its own surplus—to write the coverage, under a proposal drawn up by the Financial Guarantee Study Group of the National Assn. of Insurance Commissioners.

The article proposed for addition to the NAIC Insurance Law also modifies the definition of a monoline insurer. The modified definition would permit financial guarantee insurers to also write residual value insurance and fidelity and surety insurance.

Driven by the fear that huge losses on complex financial guarantee insurance policies could drive insurers into insolvency, regulators—with input from insurers—have been developing a proposal for regulating the underwriting of financial guarantee products since last spring.

Deciding what type of company would be permitted to write the risky financial guarantee coverages was one of several key financial guarantee issues the regulators moved nearer to resolving at the NAIC's year-end meeting in Reno Dec. 8-12.

The study group also discussed financial requirements for financial guarantee insurers and what types of insurance would be considered a "financial guarantee."

The current version requires an insurer to have paid-in capital of at least \$10 million and paid-in surplus of at least \$40 million before it can issue financial guarantee policies.

An insurance company also must at all times maintain a minimum of \$35 million in policyholder surplus, excluding contingency reserves.

And, the insurer's surplus must pass five other tests, such as equaling 10% of the total liabilities outstanding under non-investment grade obligations.

The insurer also must establish contingency reserves that equal the following after 10 years, net of outstanding loss reserves:

- 0.5% of its total liability on general obligation municipal bonds and special revenue municipal bond guarantees.

- 1% of its total liability on guarantees of investment grade obligations.

- 2% of its total liability on guarantees of non-investment grade obligations.

State insurance commissioners are advised by the proposal to prepare rules insurers should follow to replenish these reserves when loss ratios exceed 35%.

The article excludes contract or performance bonds, residual value insurance or mortgage guarantee insurance from the definition of financial guarantee insurance.

The article also mandates that rates and policies for financial guarantee coverages must be filed with state regulators.

Furthermore, the article prohibits an insurer from taking credit for reinsurance of a financial guarantee policy with a parent or an affiliate.

The study group hopes to refine its proposals for final consideration at the NAIC's next quarterly meeting, which will be held in San Francisco in March.

A 14-member advisory committee chaired by Christy P. Armstrong, executive consultant to accountant Coopers & Lybrand's insurance practice in San Francisco, has until Jan. 29 to submit written comments and suggested changes to the proposed article.

Other interested parties also are invited to submit comments before

Regulators fear that huge losses on financial guarantees could drive insurers into insolvency.

that date to New York Insurance Superintendent James P. Corcoran, chairman of the financial guarantee study group.

The study group will review comments from all interested parties in Kansas City on Feb. 13 and discuss any recommended changes with advisory committee members on Feb. 14.

business insurance

NEW YORK: 220 EAST 42ND STREET/NY 10017/(212) 210-0133
CHICAGO: 740 RUSH STREET/IL 60611/(312) 649-5276
LOS ANGELES: 6404 WILSHIRE BOULEVARD/CA 90048/(213)651-3710

update

SELF INSURANCE /
Claims Administration Directory

Issue Date: January 27
Ad Closing: January 14

A close-up of how corporations manage their own risk.

business insurance

J&H INFOLINE

INFORMATION AND IDEAS ON RISK MANAGEMENT AND BENEFITS FROM JOHNSON & HIGGINS

NO. 14

Marshaling Capacity in a Hard Market:

The role of "industry-specific" captives.

Today, organizations that face similar exposures should be investigating "industry-specific" association captives with the objective of creating a specialized insurance vehicle that replaces coverage no longer available in traditional markets.

Groups rarely look into captives because of escalating premiums alone. Most are driven by the severe limitation on—or complete unavailability of—such coverages as directors and officers, umbrella liability, fidelity, and even libel and slander. By joining together, companies may be better able to deal with the insurance problems they share.

Successful captive formation requires that the industry association's leaders take an active role in the planning and operation of the program. The goal of an "industry-specific" captive is to use the knowledge of industry leaders to underwrite risks sensibly. This is especially important in lines such as directors and officers where the risks are a function of management skill.

Captives must be substantially capitalized in order to attract insurers and reinsurers to the program. The stronger the financial statement of the captive, the better the chances of market participation.

Since captive programs are most effective when they share part of their risk with the conventional insurance market, it is critical for association captives to choose an experienced broker as a consultant. The broker must be able to marshal existing capacity in the world marketplace, which can then be structured with the self-assumption program of the captive to cushion against unpredictable catastrophic loss.

For more information, contact your J&H office. Or call Alan Page at 212-701-8347.

RBH of Illinois unit targets midsized clients

Rollins Burdick Hunter of Illinois Inc. has formed a Commercial Brokerage Group to provide both property/casualty brokerage and employee benefit services to medium-sized companies in the Chicago area.

"As one of the largest all-lines insurance brokers in Chicago, we are making a major commitment to serve smaller, growth-oriented companies in the Chicago area," said John R. Pacholick, president of RBH of Illinois.

Mr. Pacholick said the company has organized its "technical, insurance placement and account service skills for larger companies" to meet the property/casualty needs of businesses with less than \$250 million in annual sales and to provide employee benefits services to companies with fewer than 2,500 workers.

Kenneth F. Clarke, senior vp of RBH of Illinois, has been named manager of the new group. Other members of the management team

markets

are Victoria L. Ryan, vp of property/casualty insurance; William C. Reynolds, vp and manager of production; and Stephen L. Drewery, vp-employee benefits.

SCOR completes move

SCOR Reinsurance Co., one of the principal reinsurers of the cov-

erage for the Statue of Liberty rehabilitation project, now has the lady in the harbor as a neighbor.

SCOR Re, a unit of Paris-based Societe Commerciale de Reassurance, has completed the move of its U.S. headquarters to New York City from Dallas. It will continue to operate offices in Dallas, Hartford, Conn., and Chicago.

"We moved to New York because we wanted to be where the vital markets are," said Pierre Croizat, SCOR Re's president and

chief executive officer. "Because of the great demand for reinsurance, there is more reason than ever to want to be where the action is."

Mr. Croizat added, "Being domesticated in a strong regulatory environment, such as Texas or New York, has obvious benefits."

SCOR Re is located at 110 William St., New York, N.Y. 10038; 212-513-1777.

Acquisitions

Marsh & McLennan Cos. Inc., the world's largest broker, has acquired **Atkins Insurance Corp.** in Little Rock, Ark.

The Crump Cos. Inc., the nation's ninth-largest broker, has acquired three California brokerages: **Holdren Insurance Agency Inc.** and **Hoskins & Holdren Insurance Brokers Inc.**, both based in Long Beach, and **J. Ray McKinney & Co. Inc.** in San Francisco.

Gene Canavan & Associates Inc., a San Antonio, Texas, insurance agency, has merged with **Alexander & Alexander of Texas Inc.**

New offices

Delaware Valley Underwriting Agency Inc., a subsidiary of **Penn Independent Associates Insurance Group** of Hatboro, Pa., has opened a regional office in Chicago. The office, Delaware Valley's seventh, is named **DVUA Illinois Inc.** and is located at 120 S. Riverside Plaza, Suite 1650, Chicago, Ill. 60606; 312-930-9060. Delaware Valley Underwriting is a wholesale excess and surplus lines broker and managing general agent. ■



INSURANCE COMPANY

**TRANSPORTATION
SPECIALISTS** SINCE
1943

P. O. Box 2575 / Jacksonville, Florida 32203

TO REACH YOUR NEAREST
REPRESENTATIVE CALL :

(904) 354-1691

EXT. 269

A W. R. Berkley Corp. Company

We are proud to announce the opening of our seventh regional office.

DVUA ILLINOIS INC.

120 South Riverside Plaza — Suite 1650
Chicago, Illinois 60606
312-930-9060

Dennis O'Brien, Manager

Hatboro, PA
215-443-3500

New York, NY
212-227-8606

Highland Heights, OH
216-449-0351

Chicago, IL
312-930-9060

Pittsburgh, PA
412-369-2500

Springfield, NJ
201-564-9633

Charleston, WV
304-342-4835

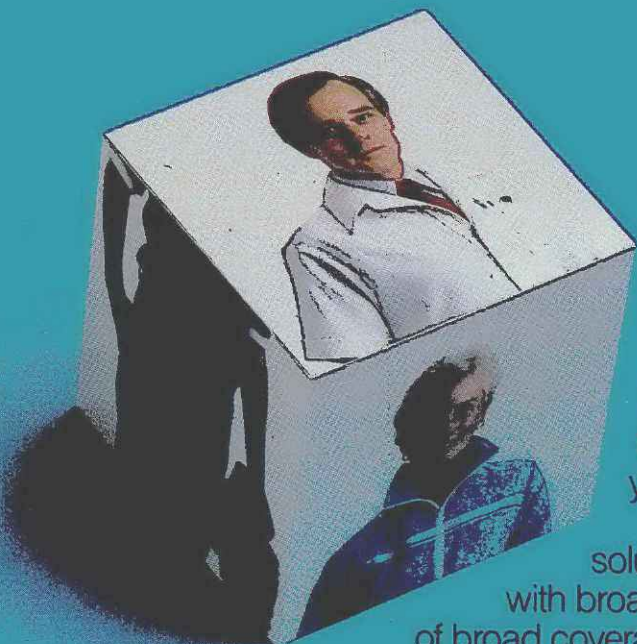


Excess & Surplus Lines Brokers/Managing General Agents Since 1947

A Member of the Penn Independent Associates Group

Corporate Headquarters
420 South York Road, Hatboro, PA 19040

The Unionmutual solution



The puzzle is how to put together exactly the right Employee Benefits coverage for each of your clients.

The Unionmutual solution is to provide you with broad coverage, the kind of broad coverage with enough

building blocks to help meet the diverse needs of your most demanding clients.

Your success can be enhanced by an insurance company who can help you anticipate and solve these kinds of puzzling problems. Unionmutual does just that. That's one reason we've always been a leader. And that's one way we intend to stay there.

We're providing solutions in LTD. . . .

Look at Unionmutual's track-record in the field of LTD. We've pioneered virtually every major LTD advancement including partial and residual disability programs, innovative funding options, and flexible rehabilitation programs. And we continue to meet diverse needs with innovative new products.

This kind of foresight has helped us maintain a nine-year record as the nation's first choice in LTD.* You'll find the same innovative vision in Unionmutual's other Employee Benefits Products.

. . . in Medical, Dental, and Life. . . .

We were one of the first to stress prevention as a key to controlling health care costs, a challenge Unionmutual is committed to meeting. Our flexibility in funding and plan design in Medical, Dental, and Life is part of that commitment to help clients solve the problems of cost management.

. . . and in Flexible Benefits.

Unionmutual's approach to Flexible Benefits represents a whole new dimension in this field. And this has helped us, here again, become an industry leader. We're expanding nationwide with our new Flexible Benefits product which simplifies administration and presents meaningful choices to both employee and employer.

Outstanding sales support and client service.

To anticipate your needs, our sales reps are up-to-date on market trends, legislation, and new products to help you structure the best plan for your client. Our LTD benefits and rehab specialists are located regionally for more responsiveness. We assign one Benefits Specialist to each Medical case and one Administrative Representative to each Flex customer to provide prompt, personal and comprehensive attention. In addition, each of our Employee Benefits offices offers a client service staff to provide ongoing services whenever you or your clients need them.

Our Commitment to Excellence

One thread runs through all of our products and services. We call it *the UNUM commitment to excellence*™. It means striving to be the best at everything we do. And that can only be achieved by putting the customer first, focusing on customer needs, and developing products and services that meet those needs better than our competition. *The UNUM commitment to excellence*™ means a constant effort to improve, to build on earlier successes, to find the better way to meet our customers' needs. And, we believe that making the customer number one makes us number one, too.

The ability to provide creative solutions for today and tomorrow is a sales advantage built into our comprehensive portfolio of Employee Benefits—an advantage you can put to work every day. For more information on how Unionmutual can help you solve the puzzle of Employee Benefits, contact your Unionmutual representative.

Employee Benefits. A group of UNUM™ products.

*Employee Benefit Plan Review, April 1985.



Unionmutual

The **UNUM** commitment to excellence™

Union Mutual Life Insurance Company, Portland, Maine 04122
Unionmutual Stock Life Insurance Co. of America, Portland, Maine
04122 (All states except New York)
Unionmutual Stock Life Insurance Company of New York, Elmsford,
New York 10523 (New York State only)



SOME BROKERS WOULDN'T TOUCH A RISK THIS COMPLEX.

A simple metal clip.

And, when it's on the strap of a backpack, a simple risk.

The company that made it had all the liability coverage necessary.

It also had a very limited market.

Until a new customer came along.

A manufacturer of harnesses — for parachutes; for hang gliders.

A new use for a simple metal clip.

And, all of a sudden, a new set of risks.

Failure of the clip could now mean a lot more than a ruined hike. It could mean someone's life.

But, without the necessary insurance, sale of the clips was in jeopardy.

At Montgomery and Collins, it's the kind of risk we face every day.

We have the experience to recognize a complex risk fast. And we have the resources to place it — with the more than 40 admitted and non-admitted insurers we represent. And we can place a complex risk quickly. Because we know how important the necessary insurance can be.

Ultimately, at Montgomery and Collins, a problem like this clip becomes no problem at all. Because we believe it should be as easy to find excess and surplus insurance as it is to find our nearest office.



Montgomery and Collins, Inc.

a CIGNA company

WORK COMP DOWN UNDER

It's too early to evaluate reform in Australian states

By Jerome Karter

TO MOST AMERICANS, the name "Australia" always has been synonymous with kangaroos, koala bears, boomerangs and the Outback.

But, to today's U.S. risk manager, "Australia" more likely will bring to mind the workers compensation systems in the states of New South Wales and Victoria.

As most risk managers of U.S. multinationals with Australian subsidiaries know, the states of New South Wales and Victoria took over full control of their workers compensation insurance plans in June and September of 1985, respectively. This move, designed to improve worker safety and rehabilitation, has been controversial at best.

Government control of workers compensation is not uncommon, but the transfer of any insurance coverage from the private sector to the public sector is noteworthy.

Who wins and who loses? The answer lies in the history of the Australian workers compensation system as well as in the new legislation passed by New South Wales and Victoria.

Historically, Australian employers have been required to comply with the different workers compensation acts in each of the seven states. However, each act required employers to carry workers compensation insurance to cover employees injured in the course of or arising out of their employment.

Australian workers compensation policies also provide unlimited employers liability coverage, which allows employees to sue an employer under common law.

Over the years, the minimum basic workers compensation benefits for all states have been supplemented by state and federal industrial tribunals, whose awards and agreements govern the working conditions of 90% of all employees.

The strength of the industrial tribunals has increased proportionately to ever-increasing union strength in Australia, particularly in New South Wales and Victoria, which are the most populous and the most industrialized of Australia's seven states.

As workers compensation benefits escalated, liberal claims procedures were forced on insurance companies, which often paid questionable claims rather than incite a union walkout.

But in recent years, U.S. financial managers watched with concern as the profits of their Australian subsidiaries were threatened by spiraling workers compensation premiums. As early as 1982 and 1983, the situation was serious enough to have attracted the attention of many U.S. chief executive officers and chief financial officers.

The essential problem was that losses were out of control, safety programs were not in wide use and liberal benefits left injured workers with little incentive to return quickly to the workforce.

In addition, most underwriters simply were charging "cost-plus" premiums, which meant that employers were, in effect, paying their own claims through the underwriters. Although self-insurance was legal, companies found it nearly impossible to obtain the required government licensing.

Together these factors produced budgetary chaos for many companies. At the same time, underwriters' profits were being squeezed, if not swallowed, by escalating claims.

The situation continued to worsen, and no single group seemed able to moderate the trend. No group, that is, except for the government.

As pressures built upon the states to take action, legislation was drafted hastily and passed quickly.

That legislation still is too recent to evaluate fully, but the laws are on the books and the new systems are in effect. Although these systems merit a review, only time will tell whether the medicine was appropriate to the illness.

international issues

In New South Wales, the first indication that the government would address workers compensation came in January 1985, when interest was announced in making changes in the existing system.

On April 24, with almost no warning or debate, legislation was introduced and passed that provided for sweeping changes in the existing workers compensation system.

According to the minister for industrial relations, the legislation in New South Wales was necessary to address soaring administrative and legal costs, extensive delays in granting benefits and the lack of incentive to maintain occupational health and safety programs.

The stated objectives of the new legislation are to:

- Provide an incentive for employers to create a safe working environment in order to minimize the risk of injury.
- Promote the efficient rehabilitation of injured workers to hasten their return to the workforce and to society.



- Guarantee the prompt delivery of adequate benefits to injured workers and ensure that most of the premium dollars are directed toward the accident victims rather than toward administrative costs.

- Make workers compensation arrangements more consistent with occupational health and safety strategies.

Several provisions of the legislation have had a direct and immediate impact on both employers and the insurance community.

The number of licensed insurers is to be reduced, theoretically in order to gain some economies of scale. All current workers compensation insurance licenses will be canceled and insurers will be invited to reapply, but only a limited number of annual licenses will be issued.

As under the previous workers compensation system in New South Wales, self-insurance remains permissible, although government approvals are expected to continue to be rare.

Retrospective rating, as well as any of the previously allowed retroactive schemes, are not permitted under the new law.

Employers in New South Wales now will be required to place their workers compensation insurance directly with the insurers, and broker commissions are prohibited.

However, brokers will have a major role to play in providing loss control and reserve analysis consulting services, since these functions have a significant effect on premiums.

In an attempt to interest employers in safety and loss control, the new system mandates a \$500 deductible per claim for all insureds whose tariff workers compensation premium is more than \$2,000. This deductible is optional for employers whose premium is

under the \$2,000 threshold.

Insurers will pay the full claim to the employee and seek reimbursement later from the employer.

Commissioners will be appointed in New South Wales to conciliate disputed claims under \$40,000. The proceedings will be informal, and the commissioners may have industrial or professional backgrounds outside the legal profession.

While intended to ease the number of court cases, this provision does not preclude appeals to the compensation court.

Fines will be imposed if claims exceed a level yet to be defined.

Again, this penalty is aimed at fostering an interest in loss prevention on the part of employers.

The only potential reduction in benefits falls under a provision that restricts periodic payments to a 12-month period following the attainment of retirement age, which is 65 for men and 60 for women.

This ruling applies to workers who are injured after the effective date of the legislation.

This limitation, however, does not affect statutory lump-sum payments or hospital and medical benefits.

New gazette, or tariff, rates were published after the New South Wales legislation was passed and are, on the average, about 20% lower than previous tariff rates. This is welcome news to employers, but not to insurers, who foresee a reduction in premium income without a concomitant reduction in benefits.

Adding to the uncertainties, the new rates alone cannot be used to determine premiums. Instead, an insured's actual annual premium will be developed through a series of steps that include:

- A Tariff Premium Component (T), or the actual total "gazette" premium developed by applying the new tariff rates to each worker class.
- An Experience Premium Component (E), or the average ratio of converted annual losses to annual wages based on three-year claims experience.
- The T Weight Factor, which is developed by using the formula: \$200,000 divided by T plus \$200,000.
- An E Weight Factor, which is developed by using the formula: T divided by T plus \$200,000.

The sum of the T Weight Factor and the E Weight Factor should always equal 100%.

Once the two weighted components have been determined, the actual premium is calculated by applying the Premium Formula, or T times the T Weight Factor plus E times the E Weight Factor.

While it is difficult to predict who wins and who loses under this new rating system, it has been noted that as the size of a company grows in terms of T, more weight is placed on the experience component of the formula.

Thus, it is clear that claims experience and payroll size can alter an insured's premium outlay substantially.

In Victoria, the state government passed three acts that effectively transformed the commercial workers compensation system into a governmental monopoly.

The new system, known as WorkCare, became operational on Sept. 1, 1985.

WorkCare was developed as an integrated approach to preventing occupational injuries and diseases, providing adequate compensation for people injured at work and helping injured workers return to the workforce as soon as possible.

An important element of the WorkCare system is the Occupational Health and Safety Act, which took effect Oct. 1, 1985. Previous legislation, such as the Industrial Safety Health and Welfare Act, will be repealed progressively and replaced by regulations issued under the new OHS Act.

Under the OHS Act, everyone is responsible for making the workplace safer. The act provides for certain minimum standards to be prescribed through the law and to be enforced by an inspectorate.

Unions will contribute to the development of these standards through their representation on a new OHS

Continued on next page

Australian states enact comp reform

Continued from previous page

commission that will be responsible for drafting such standards.

Every worker in every workplace in Victoria is covered by the OHS Act, although the act does not cover Commonwealth government employees.

While the objectives of the WorkCare system are similar to those of the legislation in New South Wales, the resulting system is quite different and somewhat easier to implement.

All employers in Victoria with a total annual payroll of \$5,000 or more must register with WorkCare. After registration, WorkCare will inform the employers of their premiums, which are known as levies.

Claims will be handled by one of nine agencies selected from among the former workers compensation insurers. All employers will have to pay the first \$250 of medical, hospital or rehabilitation expenses for each



Jerome Karter is vp and manager of the New York International Department of Johnson & Higgins. His column on international issues appears the first Monday of every month.

'...In recent years, U.S. financial managers watched with concern as the profits of their Australian subsidiaries were threatened by spiraling work comp premiums.'

claim.

If an employer's annual payroll is more than \$10,000, the employer also must bear the cost of the first five days of earnings compensation on each claim.

There are, however, indications that these deductibles may be insurable through payment of a surcharge to WorkCare.

The legislation in Victoria also eliminates brokers' commissions, although broker services will continue to be used in controlling claims, instituting safety programs, maintaining loss statistics and performing other administrative functions. Under the new system, WorkCare's parent, the Accident Compensation Commission, will designate approved consultants.

Under the OHS Act, employers will be required to make every effort to provide and maintain a working environment that is safe and without risks to health.

Specifically, employers must provide:

- Safe plants and equipment.

- Information, instruction, training and supervision.
 - Well-maintained safety records at the workplace.
- Unlike the workers in New South Wales, the workers in Victoria have lost some of their common law rights under the new system.

No longer may an injured worker sue the employer for negligence resulting in lost earnings capacity. Legal actions now are limited to non-monetary loss, such as pain and suffering.

In addition, under the OHS Act, employees have a duty to take the responsibility for protecting their own health and safety and to ensure that other workers are not affected by their acts and omissions in the workplace.

In both states, employees, unions and the insurance industry are wondering what the impact of the new systems will be and whether they actually will meet the objectives set forth by the legislation.

Certainly of interest to employers is whether actual cost savings can be realized through government-mandated plans.

Of interest to all is whether an injured employee is adequately and effectively compensated, treated and rehabilitated.

Who wins and who loses? For the answer to these questions, stay tuned. As results are monitored over the coming months—and years—this column will provide periodic updates.

Change in residency shouldn't affect benefits: Court

An Alaska law that reduces the workers compensation benefits for recipients who later move out of state is unconstitutional, the state Supreme Court ruled.

Under the former Alaska law, workers compensation benefits were adjusted according to a formula based on the average weekly wage in Alaska and the state to which the recipient had moved.

In this case, Robert Brown was injured on the job in Alaska in January 1977. He was awarded benefits under Alaska's workers compensation law.

He subsequently returned to his home state of California. After his return to California, his benefits were adjusted under the Alaska law, which reduced them by about \$340 a week.

Mr. Brown filed a class-action lawsuit against his employer's insurer, alleging that the law violated his constitutional guarantees of equal protection and due process. The trial court found the provision unconstitutional on equal protection grounds.

On appeal, Mr. Brown asserted that the Alaska law imposed a direct penalty on those workers compensation recipients who choose to leave Alaska, noting that the law burdened their right to travel.

The court concluded that the risk of severe benefit reduction based upon variations in economic conditions was a significant penalty that constituted a violation of Mr. Brown's equal protection guarantee, rendering the state law invalid. *Alaska Pacific Assurance Co. vs. Brown*, Supreme Court of Alaska, Feb. 17, 1984, rehearing granted in part and denied in part, July 20, 1984, as modified July 20, 1984 (BI/01/Jy.—\$5).

All-risks policy

An all-risk policy issued to a contractor excluded coverage for the cost of making good the faulty or defective workmanship of a third-party subcontractor, a federal court in Georgia

ruled.

Kroll Construction Co., the general contractor for a condominium project, carried a builder's risk insurance policy issued by Great American Insurance Co. The policy insured against direct physical loss or damages to the project. Coverage was expected for making good any faulty or defective workmanship or material.

When the project was nearly completed, Kroll discovered that waterproofing materials and work furnished by a subcontractor were defective. The repair work cost nearly \$500,000. Kroll filed a claim for these losses, which Great American denied. Kroll then filed suit for breach of

Terrazzo for National Supermarket began to crack and discolor.

National Supermarket sued Terrazzo in October 1979, alleging improper construction. Terrazzo notified Iowa National, but the insurer denied liability on the basis of policy exclusions. The insurer also denied any duty to defend.

Terrazzo ultimately settled with National Supermarket for \$30,000. Terrazzo then sued Iowa National, seeking reimbursement of the settlement, attorneys' fees and costs. The trial court awarded Terrazzo nearly \$70,000 against Iowa National.

The appellate court noted that the insurance policy required Iowa National

Virginia ruled.

From 1964 to 1972, Dan River Inc. was insured under three successive umbrella policies, furnishing various coverages, issued by Commercial Union Insurance Co. or its predecessors.

Coverage included damages because of personal injury including "discrimination." Dan River was required to give notice of an "occurrence."

In October 1969, Dan River was the subject of a class-action civil rights proceeding in a federal court in which the plaintiffs sought a monetary award for back pay. A special master in the suit against Dan River conducted hearings in 1974 and 1975. He filed a report unfavorable to Dan River in November 1976.

Four months later, Dan River notified CU of the federal litigation in a letter dated March 16, 1977. Two months later, CU notified Dan River that it was denying coverage because of untimely notice of the suit and the alleged occurrence.

Dan River then brought suit to determine CU's responsibility for defending the civil rights proceeding. The trial court ruled for CU.

On appeal, Dan River argued that it was not until it studied the master's report in 1976 that it concluded for the first time that there was potential liability to the plaintiffs in the federal suit. But, the court said the failure to give timely notice will not be excused when the insured only subjectively concludes that coverage under the policy will not be implicated. *Dan River vs. Commercial Union Insurance Co.*, Supreme Court of Virginia, June 15, 1984 (BI/03/Ju.—\$5).

legal briefs

contract.

Kroll argued the exception applied only to its own workmanship and materials, not those of the subcontractor. But, the court disagreed, noting the all-risk policy excluded the cost of making good "any" faulty or defective workmanship.

The breadth of the word "any," the court said, prevented it from finding that a subcontractor's workmanship did not fall within the exclusion. *Kroll Construction Co. vs. Great American Insurance Co.*, U.S. District Court of the Northern District of Georgia, Aug. 27, 1984 (BI/04/Au.—\$5).

Diminution in value

Diminution in value is a justifiable way to measure property damage that is covered under a general liability insurance policy, according to the 8th U.S. Circuit Court of Appeals.

Missouri Terrazzo Co., a terrazzo floor installer, was covered under a general liability insurance policy issued by Iowa National Insurance Co. for the period from Dec. 31, 1975, to Dec. 31, 1976.

In November 1976, a floor installed by

to reimburse all sums that Terrazzo was obligated to pay because of property damage caused by an occurrence.

However, Iowa National argued that National Supermarket's claim for diminution in the value of its property was a non-physical damage not covered by its policy.

The court said that diminution in value was merely a means of measuring the damages sustained as a result of the property damage. The court also ruled that policy exclusions were inapplicable and that Iowa National was to indemnify Terrazzo for its cost of the settlement, attorney fees and costs. *Missouri Terrazzo Co. vs. Iowa National Mutual Insurance Co.*, U.S. Court of Appeals for the 8th Circuit, Aug. 8, 1984 (BI/03/Jy.—\$5).

Prompt notice of claims

Under an umbrella policy requiring "prompt written notice" of an occurrence that "in the opinion of the insured" involved a potential liability, the insurer must be notified whenever—from an objective standpoint—it reasonably appears to the insured that the policy may be involved, the Supreme Court of

These abstracts were prepared by Cases Unlimited Inc. A copy of an entire decision may be obtained by sending a check for \$5 made out to Cases Unlimited to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. List the number for each opinion.

Ski coverage

Continued from page 3
in the United States.

The rates for the program generally have been rising about 60%, Mr. Kendall said. However, rate hikes have been substantially higher for ski areas with relatively poor claims histories, he said, noting that areas close to metropolitan areas have a poorer track record than their country cousins.

Most claims filed against ski areas covered by the Kendall program involve accidents from ancillary services such as ski schools, equipment rental and liquor sales at the ski area bars, he says.

Mr. Kendall notes that ski areas have reacted to the increasing rates with beefed-up risk management programs that target potential danger areas.

These efforts have reduced the number of what were once common accidents, adds Bob Roberts, executive director of the Sierra Ski Area Assn. in San Francisco.

For instance, personnel training and new equipment have helped mitigate accidents involving the loading and unloading of ski lifts, the source of many accidents in the past, he said.

Many ski areas also have replaced chair lifts with gondolas that detach from the lift during loading and unloading, he said. Gondolas, which require skiers to remove their skis before boarding, are much easier to board than chair lifts, especially for children.

Moving lift accidents—like last

month's lift collapse at Keystone—are rare, most industry observers stress. In the last 10 years, there have been only four major lift accidents, none of which was as severe as last month's.

Six ski lifts similar to the Keystone lift manufactured by Lift Engineering & Manufacturing Co. of Carson City, Nev., were temporarily shut down for inspection last month following the accident, says Kathe Dillmann, communications director for the National Ski Areas Assn.

"The shutdown is a preventive measure," she explained.

While ski areas are attempting to prevent accidents through personnel training and better equipment, increasing ski technology is contri-

buting to the number of accidents suffered on the slopes.

"The public is demanding new and better grooming techniques for the slopes. The result is more skiers are going faster than ever before, and speed causes accidents," said Mr. Roberts of the Sierra Ski Area Assn.

Many downhill skiing accidents result when skiers fall, hit natural hazards like trees and rocks, collide with other skiers or crash into ski lift towers and other equipment.

Preventing some of these injuries is tough, Mr. Roberts said.

"Ski areas pad the towers so they can tell a jury they did everything they could to prevent the accident, but there's no evidence that you're going to be safer hitting a padded

rather than an unpadding immovable object at a high speed," Mr. Roberts said.

Instead, ski areas have tried to educate skiers through posters, safety messages on lift tickets and, in some cases, messages on television monitors in ski lodges that alert them to the dangers of reckless skiing.

Ski patrols that catch reckless skiers are a relatively new addition to ski area safety programs, said Graham Anderson, president of Pettit-Morry.

Historically, ski area owners have refused to police the slopes, he said, though he noted that 10 major ski areas recently began ski patrol programs and surveyed skiers' reactions.

"The results were 200-to-1 in support of the idea. Almost everyone thought it was great. In fact, young family men with kids skiing so vehemently approved (the ski patrol program) that they said how much (the slopes were patrolled) could have an effect on where they spent their money to ski," Mr. Anderson said.

Thus, ski patrolling has become somewhat of a marketing tool, he said.

Reckless skiers caught by the patrols often are forced to watch safety movies. And, if the warnings go unheeded, Mr. Anderson says reckless skiers could be ejected from the slopes, sometimes without refunds.

Dyer, Wells & Associates



FASTRAK™ Will Take On Your Claims Administration Challenges... Big or Small.

Automated Health Claims Systems for Self-Administered's.

Whether you are a multi-national conglomerate or an aggressive young company...

Whether you own the largest IBM mainframe or have no computer facilities at all...

The FASTRAK™ family of insurance software systems from Dyer, Wells & Associates will solve your health claims administration needs.

The Champion of Claims Systems.

FASTRAK completely automates the adjudication and processing of health claims. It lets your company process all types of claims and handle every aspect of claims processing: from enrollment eligibility verification to benefit determination to payment processing.

It also accommodates a wide range of plans including medical, dental, short term and long term disability...in any combination. Plus, system flexibility means you can easily adapt FASTRAK to meet your changing needs.

A technologically sophisticated

system, FASTRAK gives you the same capabilities it's been giving major insurance carriers since 1977.

Four Sizes Fit All.

Available in four versions, the FASTRAK family can knock out any insurance claims challenge, large or small.

- dw&a™/FASTRAK...the solution to automated claims administration for IBM mainframe computers.
- dw&a/FASTRAK VS™...for companies having specialized or limited claims processing needs, it operates on the WANG VS line of minicomputers. **WANG***
- dw&a/FASTRAK PC™...for organizations whose needs are best met with a microcomputer-based claims system.
- FASTRAK Processing Services...available for companies with small volumes or those who do not wish to process in their own data centers.

Send for Your Free Brochure.

Since the beginning, Dyer, Wells & Associates has been a leader in insurance claims and other cost saving

insurance software packages. We stand by a record of achievement and innovation that ensures our systems will never become outdated.

Mail this coupon, today.

Yes, I want to learn how FASTRAK can solve my health claims administration needs. I have checked the system(s) I am interested in.

IBM Mainframe (CICS/VSAM) IBM Mainframe (IMS DB/DC)
 Personal Computer Processing Services
 WANG VS

Name _____

Title _____

Company _____

of Employees _____

Address _____

City _____ State _____

Zip _____ Phone () _____

Dyer, Wells & Associates

Mail to:
Marketing Administrator **Want to talk?**
Dyer, Wells & Associates Call us at:
2251 Lake Park Drive **(404) 432-5888**
Smyrna, GA 30080

BI-1786

*Wang is a registered trademark of Wang Laboratories, Inc., Lowell, MA.

New workers at Lloyd's to be tested

By STACY SAHPIRO

LONDON—Lloyd's of London is mandating that new personnel who begin working in the Lloyd's underwriting room after Jan. 1 take a competency test.

Lloyd's has not previously required personnel working in the underwriting room to take such an examination.

Lloyd's is not requiring established underwriters nor anyone the Council of Lloyd's determines has sufficient experience to take the test.

However, the council did not explain how it would make such a determination.

The new "Introductory Test," introduced in a bylaw passed by the council last month, must be taken within 15 months after a person begins work in the underwriting room.

"Persons failing to pass the test within the prescribed time will not be permitted to conduct insurance business at Lloyd's until such time as they obtain a pass," Lloyd's explained.

The "Introductory Test" will focus on:

- The basic purpose and nature of insurance and its value to the community.
- Legal principles governing insurance transactions.
- The structure of the Lloyd's market, with special reference to the role of underwriters and brokers.
- Market and other practices at Lloyd's.

In addition, Lloyd's is offering a 3½-day course for all employees who plan to take the new examination.

The fee for the course is 300 pounds (\$428), which includes the 50-pound (\$71) entrance fee for the exam.

The multiple-choice examination, which takes one hour to complete, will be administered at Lloyd's on April 2, Sept. 26 and Jan. 5, 1987.

British legislation doesn't affect Lloyd's

By STACY SHAPIRO

LONDON—Legislation to regulate the British financial services market, which was introduced in Parliament late last month, does not contain provisions controlling Lloyd's of London.

The bill, designed to protect the interests of investors, would establish a board to supervise self-regulatory bodies that, in turn, would govern various financial markets like the London Stock Exchange, commodities markets and the life insurance industry.

The board has been tentatively called the Securities and Investment Board.

Lloyd's was not included in the financial services legislation because it already is governed by the Lloyd's Act of 1982, which should be given time to work, explained Leon Brittan, the British secretary of trade and industry.

However, several members of Parliament believe that Lloyd's should be regulated by the financial services bill because of the various scandals at Lloyd's over the past several years (*BI*, Dec. 9, 1985). They will press their arguments when the bill is considered by a House of Commons committee later this month.

Before the bill was introduced last month, Brian Sedgemore, a Labor member of Parliament who believes Lloyd's should be regulated under the bill, leveled accusations concerning the activities of several Lloyd's of London syndicates and agencies.

The accusations were contained in motions Mr. Sedgemore filed Dec. 10 and 11 with the House of Commons, which protects him from being sued for libel.

Among other things, Mr. Sedgemore called for an investigation into former Lloyd's Chairman Peter Green's involvement with Imperial Insurance Co. in the Cayman Islands.

Mr. Sedgemore alleged on Dec. 10 that Sir Peter "has never accounted for the interest on 34 million pounds placed in Imperial, a Cayman Islands Co., money which seems to belong to names in his own syndicate but has gone to benefit his farm."

Mr. Sedgemore said that he "deeply regrets that Sir Peter's conduct did not conform to the highest standards expected at Lloyd's."

On Dec. 11, Mr. Sedgemore called for "an investigation into the operation of the reinsurance scheme Imperial Insurance Co. (Cayman Islands) Ltd., including the role of Sir Peter Green, former chairman of Lloyd's, and the role of Hogg Robinson Group, the ultimate holding company of

Janson Green Ltd., which had a 20% interest in the Cayman Islands company."

Mr. Sedgemore also said that the Imperial investigation should include Lloyd's underwriting agency R.W. Sturge & Co., which owned 31.6% of insurance broker Steel Burrill Jones between 1977 and 1983. Steel Burrill Jones, he contended, was involved in "the Imperial Insurance Co. reinsurance scheme."

In addition, Mr. Sedgemore called for a separate investigation into allegations that Leslie Dew, a former member of the Committee of Lloyd's and formerly Lloyd's deputy chairman, "led substantial banking business through Alexander Howdens while he was employed at Merrett Syndicates Ltd."

Mr. Sedgemore apparently was referring to Alexander Howden Group P.L.C., the large British brokerage company.

Mr. Dew "had half the commission from the brokerages arising from the business paid direct into a Swiss bank account," Mr. Sedgemore said.

"Mr. Dew's role as president of Gulf Oil Co.'s Bermudan captive insurance company, Insko Ltd., should be examined," he added.

Mr. Sedgemore also said in the motions filed in the House of Commons that "this house is deeply concerned about Lloyd's syndicates which have already been touched by scandal or may be touched by scandal, particularly those managed by PCW Underwriting Agencies Ltd., Alexander Howden Underwriting Ltd., R.W. Sturge & Co., H.G. Chester & Co. Ltd., Sedgwick Forbes, W.M.D. Underwriting Agencies Ltd. and Janson Green Ltd."

Many of those who were accused by Mr. Sedgemore believe that he should come out from behind his parliamentary privilege and make his accusations in public.

Both a Sedgwick spokesperson and Henry Chester, head of H.G. Chester, said they would contemplate libel actions if Mr. Sedgemore repeated his accusations outside the House of Commons.

Sir Peter, chairman of Janson Green, told *Business Insurance* he was "very angry" and would make a statement at a later date regarding Mr. Sedgemore's accusations.

Peter Rawlins, managing director of Sturge Holdings P.L.C., the parent company of R.W. Sturge, wrote a lengthy letter to Mr. Sedgemore, in which he said the member of Parliament was "misinformed as to his facts."

Although Sturge had no comment to make about Imperial Insurance Co., Sturge Holdings—not R.W. Sturge—owned an interest in Steel Burrill Jones that was strictly a "portfolio investment," Mr. Rawlins told *Business Insurance*.

Sturge had no involvement with any coverage placements by Steel Burrill Jones, he said.

Mr. Rawlins also admits that Sturge held a 50% share in an offshore company, Beauvirage Associates Ltd., from 1976 to 1978, which produced a 2,104-pound profit.

However, both of these investments are listed in public documents, and Lloyd's has not informed Sturge of any investigation of its activities, he explained.

Mr. Rawlins asked Mr. Sedgemore to withdraw all references to Sturge in his allegations or "failing your being prepared to do so, I suggest you take the honorable course of repeating such statements outside the privilege of the House, whereupon we will immediately institute proceedings for defamation and the appropriate injunction."

Mr. Dew, who has retired from Insko and is living in Bermuda, was aware of Mr. Sedgemore's allegations but did not want to comment.

Phelps Dodge promotes corporate risk manager

Richard Van Wagoner Jr. has been promoted to assistant treasurer of Phelps Dodge Corp. in New York. Mr. Van Wagoner had been corporate risk manager for Phelps Dodge and will continue to manage the company's property/casualty insurance programs in this newly created position. Mr. Van Wagoner, 59, reports to Roger C. Smith, the company's vp of finance. Mr. Van Wagoner has a bachelor's degree in business administration from the University of Denver. He is a deputy member and former president of the New York Chapter of the Risk & Insurance Management Society, and he is a member of the National Fire Protection Assn. and the Society of Mining Engineers. He also holds the Chartered Property Casualty Underwriter and the Associate in Risk Management designations.

Howard H. Helberg has been named director of risk management at Carlson Cos. Inc., a diversified services company based in Minneapolis. Mr. Helberg, 51, replaces **Steven Dahl**, who left the company, and reports to John R. Nagel, vp and treasurer. In his new position, Mr. Helberg is responsible for the company's entire risk management program, including its property/casualty insurance programs. Mr. Helberg previously was with Corroon & Black of Minnesota Inc.

William J. Nares is the new

comings & goings: buyers

human resources director at Gates, McDonald & Co. in Columbus, Ohio, a company providing cost-control services for unemployment and workers compensation programs. In his new position, Mr. Nares is responsible for all human resources functions, including employee benefit programs, for Gates, McDonald, which is a subsidiary of Nationwide Corp. Mr. Nares, 48, replaces **Tim Durphy**, who left the company. He reports to Jack Gullick, president and chief executive officer. Mr. Nares has been with Nationwide Insurance Co., another subsidiary of Nationwide Corp., for 23 years, most recently as director of human resources for Western operations. He has a bachelor of arts degree in economics from Hobart College in Geneva, N.Y., and holds the Chartered Property Casualty Underwriter, the Chartered Life Underwriter and the Certified Administration Manager designations.

We'd like to report on staff changes in your company's risk management, safety or employee benefits department. Just drop a note to Alison Kittrell, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611, or call 312-649-5262. Please send a photograph, too.

car & truck Rental Insurance

- ★ A+ Admitted Major Carrier
- ★ Coast to Coast
- ★ 25 years continuous stable Rental Market
- ★ Fast Quotes
- ★ High Limits
- ★ VERY COMPETITIVE RATES

(213)

653-5060

BEDFORD

INSURANCE SERVICES, INC.
7966 BEVERLY BOULEVARD
LOS ANGELES, CA 90048-4590



"We wrote the book"

© 1982 Unico American Corp.
A Crusader Insurance Product



Your biggest risk may be having the right answer to the wrong problem.



Taking traditional routes in fulfilling today's reinsurance needs is like trying to launch a space ship

with a match. The approach may be right, but the instrument is all wrong.

That's why RFC's years of experience in developing sound, structured facultative and treaty coverages, should be more important to you than ever before.

As risks become more complex, and liability stretches far into the future, you need an intermediary who can help you analyze risks, identify secure markets and negotiate coverages that offer practical protection at realistic rates.

So before you get caught unprotected, consult with the professionals at any of RFC's network of nationwide offices. We'll help you weather the storms.

RFC

INTERMEDIARIES, INC.
2029 Century Park East, Suite 1610
Los Angeles, CA 90067
(213) 277-3753
TELEX: 696184 RFCHQ LSA
Atlanta Chicago Columbus Dallas
Hartford Los Angeles New York
Philadelphia San Francisco

agent/broker topics

A monthly editorial section sent exclusively to agents and brokers



Balancing risk in a tight market

Agents report hard market forcing a growing trend toward self-insurance

By LINDA J. COLLINS

AGENTS AND BROKERS are finding that many of their policyholders are taking a bigger piece of the action.

Many buyers, faced with a rapidly hardening commercial insurance market, are considering self-insurance for the first time or are increasing their current self-insured retentions, agents and brokers report.

And, many of those that do not opt for self-insurance are increasing deductibles under insured programs.

In fact, for some clients, self-insurance is the only option left, agents and brokers say.

"Clients are involuntarily self-insuring exposures such as pollution and directors and officers liability," said John J. Kelly, vp of Frank B. Hall & Co. Inc.'s Hall Services Division in Briarcliff Manor, N.Y.

"For some of our clients, self-insurance or a self-insured retention may be the only alternative," agreed William C. Cohen Jr., president and chief executive officer of Insurance Management Associates in Wichita, Kan.

One of the main reasons behind the growth of self-insured retentions is that agents find they can reduce a client's insurance costs or even persuade an insurer to accept a risk if the client assumes more of the risk.

In other instances, "first-dollar quotes may be so insane that clients have to take higher deductibles. . . It's not unusual to go to a \$100,000 to \$200,000 self-insured retention from first-dollar coverage and still have an increase in premium on renewal," said Robert Needle, national marketing director for ALEXSIS Inc., Alexander & Alexander Services Inc.'s risk management consulting subsidiary.

"We are seeing more than a doubling in clients interested in self-insured retentions," Mr. Needle added. "In many cases they are asking, 'What kind of coverage can I buy at any price?'"

Skip Kendall, president of Kendall Insurance Inc., an

agency in Rochester N.H., said that he now finds a lot of buyers accepting self-insured retentions for property coverage.

These retentions can range from "\$5,000 to \$20,000 per claim and aggregates of from \$50,000 to \$250,000 for clients who previously had first-dollar coverage," Mr. Kendall said.

"With our smaller insureds, we are convincing underwriters to lower their premiums by using higher deductibles. We try to convince our customers that insurance is there to cover large losses," added Mr. Cohen.

"Insurers are more inclined to insure a risk with a higher deductible," he added.

In some cases, insurers are urging or requiring a self-insured retention before they will consider writing or renewing a piece of business, sources say.

"A lot of insurers are saying: 'We don't want to provide first-dollar coverage.' So, a lot of times clients do not have an alternative—or no cost-effective alternative—to taking an SIR," said Corbette S. Doyle, vp of Corroon & Black Corp.'s Advanced Risk Management Services division in Nashville, Tenn.

The amount of retention a client is asked to or agrees to assume varies "by insurer, by geographic location, by line of business and by the nature of the firm's operations," Ms. Doyle explained, noting that SIRs can range from as little as \$5,000 to \$1 million or more.

Agents and brokers also note they do not always have to resort to a hard sell to get their clients to consider self-insurance.

"We are having no problem selling the concept of self-insurance in this market because prices are so high. By assuming some of their loss, clients can reduce their premium costs," said Donald J. Krutek, vp and director of Arthur J. Gallagher & Co. in Rolling Meadows, Ill.

Jack Groleau, head of the risk management unit of Bayly, Martin & Fay Inc. in Los Angeles, said, "Because of rapidly

escalating premium costs, those of our clients that did not have self-insured retentions are now taking retentions of from \$100,000 to \$150,000."

But, agents and brokers stress that clients that want to switch to self-insurance still need considerable help in setting up their programs.

First, they must purchase excess coverage to cap their exposures at their retention.

However, capacity problems and the reluctance of many excess insurers to write new business or to renew certain types of coverages are making it difficult for many agents and brokers to complete excess insurance programs for their clients (see story, page 24B).

Mr. Groleau said that although Bayly, Martin & Fay is recommending SIRs more than in the past to help existing clients reduce their coverage costs, it is having a hard time finding insurers willing to write programs involving SIRs for new clients.

And, other agents add, it is especially difficult to get an excess insurer to consider a piece of business if the agent marketing the business has not been dealing with excess insurers on a regular basis.

"An agent or broker already has to have market connections to find excess catastrophe coverage in this marketplace," said Albert R. Counselman, executive vp of Riggs, Counselman, Michaels & Downes Inc., a brokerage in Baltimore.

"Excess insurers are so busy with their existing business that they don't even want to talk to someone new who hasn't worked with them before," he explained.

As has been the case with primary-layer underwriters, there has been a gradual deterioration in both the rates and the capacity offered by excess underwriters "every month for the whole year," Mr. Kendall said.

Daniel J. Blum, president of The Insurance House Inc., an

Continued on next page

Scarce excess cover complicates self-insurance

Agents and brokers who structure self-insured programs for their clients are finding it more difficult to obtain excess catastrophe and buffer-layer coverages.

"The availability of excess and gap layers of coverage varies by market," said Charles L. Ruoff, senior vp of Fred S. James Inc. in New York.

"It also depends upon the broker's relationship with its carriers. But, fewer markets are willing to write these coverages than they were a year ago," he said.

"The difficulty we're seeing now is that a lot of players who would write this business have left the marketplace. . . . But, although the market is not as large as it was a year ago, it is probably not any smaller than it was before the 1980-1984 soft market," he added.

However, Mr. Ruoff explained, unlike the hard market cycles of the past, the current market situation is affecting capacity for all lines of excess coverage—property as well as liability.

"It is difficult to even place property coverage that has an earthquake exposure," Mr. Ruoff said.

Problems faced by agents or brokers who work with self-insurance programs are not limited to finding insurers that will write excess coverage. They also are finding that upper limits are being reduced, attachment points are being raised and rates are skyrocketing.

Availability of excess coverage varies by the level of coverage, sources say. And, high levels of coverage are nearly impossible to find in all lines, they say, though there's a difference in opinion over the exact level at which capacity is hard to come by.

"There is less of a market for all areas of excess coverage this year," said John J. Kelly, vp of Hall Services Division, a division of Frank B. Hall & Co. Inc. in Briarcliff Manor, N.Y.

"There is still a market capability for the lowest levels of umbrella placement, and a whole other market at the very high levels where there is little exposure. In the middle areas—from, say, \$20 million to \$50 million—there's very little coverage available," he said.

"Pricing is a secondary issue to availability of coverage," Mr. Kelly added.

Donald J. Krutek, vp and director of Arthur J. Gallagher & Co. in Rolling Meadows, Ill., said that very little excess coverage is available from \$50 million to \$100 million. And even less is available over \$100 million, because insurers do not know how to price those higher levels and "don't want to use their capacity on what they can't predict."

'There is still a market capability for the lowest levels of umbrella placement, and a whole other market at the very high levels where there is little exposure. In the middle areas—from, say, \$20 million to \$50 million—there's very little coverage available,' says Mr. Kelly.

Excess coverage for directors and officers liability risks is difficult to find at any level, he added, especially for bank D&O risks.

"Above \$100 million, businesses simply can't buy coverage," said Corbette S. Doyle, vp of Coroon & Black Corp.'s Advanced Risk Management Services Division in Nashville, Tenn. "It's just not there. And, insureds in general can't buy the limits they had before because the capacity isn't there."

"Umbrellas, in general, are offered by very few companies," Ms. Doyle said. "And, it is difficult, if not impossible, to buy the same coverage limits in 1986 as a client had in 1985, and those limits were lower than what was available in 1984."

However, she explained, many policyholders purchased higher limits of catastrophe coverage during the competitive market simply because the premiums were so low, not because there was any major threat that losses would reach those levels.

Because of conditions in the excess market, "clients are going beyond their expiration date to get full coverage. They can be months into their program before a broker can get their coverage completed," Mr. Krutek explained.

But, he warned that agents and brokers should not keep a risk out in the marketplace for too long.

"After being out there for several months, everyone has seen the business who would want it. And, if an insurer is interested in the business, it will realize that the broker is getting desperate," reducing the broker's leverage with the insurer, he said.

"You can't go beating the market up," Mr. Krutek added.

Compounding the problem for policyholders with self-insured retentions is that insurers also are raising the point at which excess coverages attach, sources say.

"Many umbrella carriers are requiring a minimum underlying coverage of \$1 million, where they were satisfied with writing above \$500,000 before," said William H. Rauschenberg Jr., senior vp of Fickling & Walker Insurance Services Inc. in Atlanta.

He added that the higher attachment

points often create gaps in coverage, because many primary insurers no longer will write limits of \$1 million.

This situation is particularly difficult for smaller policyholders, said Jon H. Pease, vp of Holmes-Murphy & Associates Inc., an agency in Des Moines, Iowa.

"We are missing the buffer layers of coverage we used to have."

"Most smaller insureds can't afford the retention up to the attachment layers of the umbrellas, so they have to have buffer-layer coverage," Mr. Pease explained.

Albert R. Counselman, executive vp of Riggs, Counselman, Michaels & Downes Inc. in Baltimore, agreed: "With anything below \$1 million in primary coverage, it's hard for a broker to build excess coverage for a client. Sometimes an account needs up to \$3 million to \$5 million in primary coverage to get excess. Six months ago it was easy to find excess over \$500,000 to \$1 million in primary."

Jack Groleau, head of the risk management unit of Bayly, Martin & Fay Inc. in Los Angeles, said: "We've run into the situation where no excess carrier will come in unless the primary coverage is at least \$1 million or more. It's hard to find gap-layer coverage between the primary and excess layers. We haven't seen a gap-layer market developing yet as it did in the 1970s."

Even those policyholders able to secure excess coverage still may face gaps in coverage within the excess layers.

"Gap and excess coverage is spotty, even for contractors and other like businesses," said William C. Cohen Jr., president and chief executive officer of Insurance Management Associates, a brokerage in Wichita, Kan.

"So a client may have gaps, say, between \$40 million and \$50 million—windows of coverage they must self-insure because we can't fill them," Mr. Cohen added.

Ms. Doyle concurred: "Many clients are unable to complete their excess programs. They may have gaps in the higher levels. For example, they may have 80% of the coverage in place and be forced to self-insure the remaining 20%."

Buyers turn to self-insurance

Continued from previous page

agency in Lafayette, La., said that in his geographic area "excess coverage outlets have all but dried up."

But, in cases in which relationships with excess insurers have been established, the broker usually continues to receive attention, Mr. Counselman added.

In addition, Mr. Krutek warns that no businesses should try to self-insure without a carefully structured and well-managed loss-control program, designed and implemented through either a good internal risk management staff or an outside consultant.

Other agents and brokers agree that risk management and loss-control programs are critical to clients planning to self-insure or assume an SIR.

"We are very concerned that the public is aware of what they're getting into," said Robert L. Sanford, president of Smyth, Sanford & Gerard Inc. in New York. Mr. Sanford said it is very important to determine whether a business has the proper loss-control programs in place before it self-insures.

He added that a broker also must analyze a risk closely enough to determine whether self-insurance is a feasible option, rather than simply letting rate hikes motivate the decision to self-insure.

Another broker agrees that loss-control programs are essential—for a different reason.

"The more attractive the risk, the more coverage options are available. We warned our clients through the soft market to maintain their loss-control programs. We wouldn't let them slack down," said James Styer, executive vp of Mesirov/Chas. U. Victor Insurance Services in Chicago.

Mr. Styer said Mesirov always attempts to give insurers an alternative to first-dollar coverage when approaching them with an account. An SIR provides that alternative and may keep an insurer from refusing to write the business, he said.

An agent or broker's ability to structure an insurance program for a client in hard-to-place lines like pollution liability is enhanced if the client has "an effective risk management program with a self-insured retention to make that business more appealing to insurers," said Roy L. Phillips Jr., president of Muske-Phillips Insurance, a Houston agency.

Another agent said that if an agent or broker sets up a good loss-control program in conjunction with a self-insurance program for a client who has been turned down by insurers, the client soon may be able to obtain coverage through traditional sources.

Jon H. Pease, vp of Holmes-Murphy & Associates Inc. in Des Moines, Iowa, said that one of his clients, a small Midwestern manufacturer, could not find product liability coverage after it suffered two small losses, despite 35 previous loss-free years.

Mr. Pease said that after getting the manufacturer's commitment to follow the loss-control program his agency designed and completely self-insuring its risk for the client for one year, he was able to place the client's coverage with another insurer.

Some agents say that one of the advantages of a fully self-insured plan or a large SIR is that it prompts companies to pay closer attention to loss-control and risk management programs, even though a company's loss history also affects the price of property/casualty insurance.

"My clients pay attention to loss control, and clients are more interested in loss control as a self-insured than they are as an insured," Mr. Counselman said.

"As clients turn to self-insurance and group funding programs, their level of sensitivity to loss control increases, even though clients still pay for a poor loss record in the insurance marketplace," agreed Charles L. Ruoff, senior vp of Fred S. James Inc. in New York.

Robert E. Sanford, president of McGee & Thielen Insurance Brokers Inc. in Sacramento, Calif., explained that self-insurance programs are particularly suitable for companies with highly protected property risks with high property values that also have extensive loss-control programs in place.

"For these businesses, self-insuring can cut their costs in half or to a third," Mr. Sanford added.

He stressed that an agent or broker should have a complete understanding of the operations at all of a client's locations before attempting to conduct a self-insurance feasibility study for that client.

"We ask for a minimum of five years of loss records. We try

A policyholder facing gaps in excess coverage can fill it in one of two ways, according to Robert L. Sanford, president of Smyth, Sanford & Gerard Inc., a brokerage in New York.

It can:

- Opt for "vertical integration" of its excess layers, assuming a portion of the risk at each layer of excess coverage to attain higher catastrophe limits.

- Increase its underlying self-insured retention and fill out the lower excess layers nearer the risk as close to 100% as possible.

"I advocate the latter approach," Mr. Sanford said.

"Don't try to buy \$100 million in coverage with gaps in the program. Buy \$40 million instead and fill out the gaps," he said.

Agents and brokers who have been working with excess insurers over the last several years have an advantage when trying to place coverage over new entrants into the marketplace, according to brokers and other sources.

In general, it is "a lot easier to get excess coverage if you have been in the market for several years. It is available," said Robert Needle, national marketing director for ALEXSIS Inc., Alexander & Alexander Services Inc.'s risk management consulting subsidiary in Philadelphia.

Mr. Needle stressed that excess insurers will look at only very professional submissions that have proper underwriting, loss and exposure information.

"Not having this is a nice way to shoot yourself in the foot," he commented.

And, Roy L. Phillips Jr., president of Muske-Phillips Insurance, an agency in Houston, said that even "excess coverage for the more volatile line accounts can be obtained if the client has a good risk management program in place."

While insurers and brokers say capacity will remain tight through the new year, some expect a slight improvement in capacity in 1986.

"In my opinion, capacity will grow right after the first of this year, but we won't be back to the real world until 1987. The increase in premium dollars will bring new players into the market," said James Styer, executive vp of broker Mesirov/Chas. U. Victor Insurance Services in Chicago.

Others doubt whether the market will improve at all in 1986.

Mr. Groleau predicted that "1986 is not going to bring much of an improvement because the industry itself is in a shake-out position until the black ink begins to flow again."

to get 10 years, but that is difficult to do," he said.

Mr. Pease said he feels the best candidates for self-insurance are companies that are financially healthy and have "at least seven years of aggregate loss information."

He added that, for qualified clients, a self-insurance program can provide greater price stability during market swings. And, he said an agent can adjust the client's retention to match the availability of umbrella coverage.

Agents and brokers stress that although the number of companies that self-insure is growing, many policyholders have been self-insuring at least some of their risk for several years.

"None of our large clients has been completely in a risk transfer mode for some time," Mr. Ruoff stressed. "They have all been assuming some of their risks. What is happening now is that they are increasing their levels of retention," he explained.

Mr. Sanford of McGee & Thielen Insurance Brokers said his brokerage has been arranging self-insurance programs for its clients for 10 years.

"We did not get into self-insurance because of the hard market. We have set up these programs for large property accounts where it is more economical for them, because of their size and their operations, to self-insure," he said.

While experts say the concept of self-insurance is not new, the reasons for self-insuring are changing.

"In the soft market, clients were interested in self-insurance for its cash-flow benefits. It was a financial motivation, and these were well-controlled, low-risk companies that were primarily concerned with catastrophe losses," said Mr. Ruoff.

"In the market situation now, use of these programs is motivated by what makes more economic sense, in light of massive premium hikes, or by the businesses' inability to transfer their risks at all. So, the layers of risk up to the catastrophe levels are subject to self-insurance," he added.

Bob Hug, vp of The Crump Cos. Inc. in Memphis, Tenn., explained: "Our office's response to clients is to find the best risk financing alternative. In our minds, that means to insure only those risks clients feel uncomfortable in retaining."

Continued on next page

Crough named CEO at Colonial Penn Group

Daniel F. Crough has been elected chief executive officer of Philadelphia-based Colonial Penn Group Inc. Mr. Crough also will continue as president of the insurer.

Mr. Crough joined Colonial Penn in 1972 as vp and general counsel of subsidiary Colonial Penn Insurance Co. He was elected vp and corporate counsel of Colonial Penn Group in 1974. Mr. Crough was named president of the group in 1983.

Other insurer changes:

Donald H. McComber named executive vp of Novato, Calif.-based Fireman's Fund Insurance Co. Mr. McComber, 56, will be responsible for overseeing the company's 50 branches nationwide. Mr. McComber previously was vice chairman of Crum & Forster.



Mr. McComber

E. Ernest Johnson named president and chief executive officer of William Penn Life Insurance Co. of New York and William Penn Life Assurance Co. of America. Both are units of New York-based Continental Insurance Cos. Mr. Johnson succeeds **Paul Goodman**, who has been named vice chairman. Mr. Johnson most recently was chief operating officer of the companies. He joined William Penn in 1977 as vp—administration.

Hugh Gaynor named vp-underwriting for the commercial insurance division of Allstate Insurance Co. of Northbrook, Ill. Mr. Gaynor will be responsible for all underwriting activities of the division, including Northbrook Property & Casualty Co. His most recent position was vp of field operations for Northbrook Property & Casualty. Also, **James A. Strohl** named vp

of field operations for the division. Mr. Strohl previously was vp-administration for the division.

Stanley Braun elected president of Fairmont Insurance Co. of Burbank, Calif. Mr. Braun succeeds **Joseph G. Havlick**, who continues as chairman and president of the insurer's parent company, Fairmont Financial Inc. Mr. Braun joined Fairmont in 1984.

George P. Lagos named vp at Manchester, N.H.-based New Hampshire Insurance Co., an American International Group Inc. subsidiary. Mr. Lagos joined the company in 1979.

Lawrence H. Schenk elected vp-underwriting at Reliance Risk Management Inc., an affiliate of Reliance Insurance Co. of Philadelphia. Mr. Schenk joined Reliance in 1977. He has served as a casualty underwriting manager, a territorial manager and a workers compensation product line manager.

John A. Bradley named president and chief executive officer of MetLife HealthCare Network of Florida, an affiliate of Metropolitan Life Insurance Co. of New York. Mr. Bradley will direct the Orlando-based prepaid health plan with operations in Jacksonville, Tampa Bay, Miami, Fort Lauderdale and Palm Beach. He formerly was president of Medical Services of America and vp of Orlando Regional Medical Center.

Walter D. Guller named president of MetLife HealthCare Network of Kentucky in Louisville. Mr. Guller previously was vp of United Wisconsin Insurance Co., a subsidiary of Wisconsin Blue Cross & Blue Shield. Also, **Charles R. Stark** named president of HealthCare Network of Colorado in Denver. Mr. Stark is responsible for the start-up and management of the health maintenance organization.

comings & goings: industry

Klaus G. Dorfi named executive vp-insurance operations of New York-based Atlantic Cos. Mr. Dorfi will be responsible for the insurer's commercial lines and marine strategic business units, as well as risk services.

Derek Chilvers elected senior vp of international operations for John Hancock Mutual Life Insurance Co. of Boston. Mr. Chilvers, who joined the company in 1962, had been vp of the international group department.

J. John Wortman named chief executive officer of American Mutual Insurance Cos. of Wakefield, Mass. Mr. Wortman previously was vp of underwriting services at CNA Insurance Cos.



Mr. Wortman

Agents/brokers

Maurice P. Nielsen named executive vp and profit center manager of the Milwaukee office of Fred S. James & Co. Inc. Mr. Nielsen will be responsible for directing and coordinating all administrative, sales and client service activities for the Wisconsin operation. He also will continue as Milwaukee manager of James Benefits, the employee benefits division of Fred S. James. Mr. Nielsen joined the broker's benefits division in 1981.

Also, **Bruce E. Carr** named sales manager of James' Fort Lauderdale, Fla., office.

J. Patrick Gallagher appointed vp of operations of Arthur J. Gallagher & Co. of Rolling Meadows, Ill. Mr. Gallagher, who previously was vp of commercial sales, joined the company in 1974.

Philip L. Wroughton named deputy chairman and chief operating officer of C.T. Bowring & Co. Ltd. of London, a unit of Marsh & McLennan Cos. Inc. Mr. Wroughton retains his duties as chairman of C.T. Bowring Reinsurance Ltd. Also, **Charles Cullum** and **Hady Wakefield**, formerly deputy chairmen of C.T. Bowring Reinsurance Ltd., named joint chief executives of the company.

W. Glenn Yancey appointed president and chief executive officer of Waltham, Mass.-based Hobbs Brook Agency Inc., a subsidiary of Arkwright-Boston Manufacturers Mutual Insurance Co. Mr. Yancey has served as senior vp-marketing of Arkwright-Boston since 1979.

Also at Hobbs Brook Agency, **James H. Costner** appointed vp and regional manager in the Waltham, Mass., office; **Kenneth R. Mikula** appointed vp and Great Lakes area manager in the Schaumburg, Ill., office; and **Earl G. Kehl** appointed vp and regional manager at the Western region headquarters in San Mateo, Calif.

David C. Wynstra named senior vp of the employee benefit division of American Business Insurance Management of San Francisco. Mr. Wynstra will be responsible for planning and coordinating life insurance and employee benefits services on a national basis for ABI branches. Mr. Wynstra most recently was a vp with Frank B. Hall Consulting.



Mr. Yancey

Robert Woodcock named regional vp-metro and agency manager in FBS Insurance's First Insurance Valley View office of Bloomington, Minn. Mr. Woodcock previously was a vp at Alexander & Alexander Inc.

A.M. Tomforde III named vp and manager of the Austin, Texas, branch of Anco Insurance, a Houston-based brokerage. Also, **Dale Kelly** named vp of the company.

Ronald L. Varley named president of St. Louis-based Community Agency Inc., a subsidiary of Community Federal Savings & Loan. Mr. Varley, who will be responsible for all agency operations, succeeds **Stanley W. Stuart**, who was named vice chairman of the



Mr. Varley

agency. **James D. Murtaugh** named vp of Jardine Insurance Brokers Inc.'s marine and international trade division in Schenectady, N.Y. Mr. Murtaugh previously was a vp in Johnson & Higgins' marine division.

Reinsurance

Hartwell C. Dew elected vp of the Atlanta branch of New York-based Intere Intermediaries Inc. He will serve as assistant manager in the Atlanta office.

Also at Intere, **Michael J. Gartland**, elected vp-administrative services in New York. Mr. Gartland will manage the treaty services units.

Mac W. Henderson, vice chairman of RFC Intermediaries Inc. of Los Angeles, retired, effective Dec. 31. Mr. Henderson, 65, was RFC's president from 1972 to 1979, when he left to become group executive vp of Swett & Crawford Group, RFC's parent at the time. He was named president of Swett in 1980. RFC and Swett became units of The St. Paul Cos. Inc. in 1983.

Roger D. Espe appointed executive vp of Seattle-based John F. Sullivan Co., a subsidiary of E.W. Payne Ltd. Mr. Espe will be responsible for developing treaty business and consolidating the U.S. operations of John F. Sullivan and E.W. Payne, both of which are units of Sedgwick Group P.L.C. Mr. Espe most recently was president of E.W. Payne.

Thomas C. Jones elected director and executive vp/chief administrative officer of NAC Re Corp. of New York. Mr. Jones, 39, has served as executive vp of General Re Services Corp., Michigan insurance commissioner and president of the Minnesota Workers Compensation Reinsurance Assn.

Kenneth J. Bolen named vp of New York-based Stella Re Management Corp., managers of Hansa Reinsurance Co. of America and Zurich Reinsurance Co. of New York. Mr. Bolen will head a planned facultative property department and will be involved in treaty underwriting.

Marvin D. Fineman named vp in the New York office of Huggins Financial Services Inc. Mr. Fineman will consult in the areas of financial reinsurance, producer's reinsurance, corporate captives and traditional reinsurance. Mr. Fineman previously was an associate actuary for North American Reinsurance Co.

William P. Cullen named vp of Richard Whaley Inc. of New York. Mr. Cullen will be responsible for facultative reinsurance operations.

Richard A. Mahony elected president of Guy Carpenter & Co. Inc. of Minnesota, a subsidiary of

Guy Carpenter & Co. Inc. of New York. Mr. Mahony previously was executive vp of the subsidiary. Also, at Guy Carpenter, **Michael J. Boote**, **Gary J. Jackson**, **Frank J. Lyons**, **Don A. Salyer** and **James K. Steen** elected senior vps in the New York office.

Other suppliers

John F. Roskopf named risk management consultant at Towers, Perrin, Forster & Crosby in Chicago. Mr. Roskopf previously was portfolio manager and risk manager for G.D. Searle & Co.

Dan C. White named managing director of benefits consultant William M. Mercer-Meidinger Inc. in San Francisco. Mr. White, 37, will assist in coordinating the firm's direction as well as managing the firm's San Francisco and San Jose, Calif., offices.

David C. Ladin named senior vp of the Mid-Atlantic division of third-party administrator Yeager & Co. Inc. in Richmond, Va. Also, **Gerald R. Graczyk** named vp-corporate loss control at Yeager's corporate headquarters in Southfield, Mich.

C. Lee Gabbert named senior vp of claims at Underwriters Adjusting Co. of Piscataway, N.J. Mr. Gabbert previously was vp and manager at UAC's Pacific region office in Rancho Cordova, Calif.

Excess/surplus

Ronald F. Stone and **Augustus T. Gallup** named vps of Swett & Crawford, the nation's largest surplus lines broker. Mr. Stone will be branch manager of Swett & Crawford's Los Angeles office. He previously was vp-brokerage for IWest Insurance Managers in Stockton, Calif., a unit of Swett & Crawford Group. Mr. Gallup will continue as branch manager of Swett & Crawford's office in Tampa, Fla. He also is assistant regional manager of the group's Southeastern division.

John Wood named president of Specialty Risk Associates Inc. of Shreveport, La., a managing general agency and surplus lines broker. Also at Specialty Risk, **Dale Slack** named vp.

Edward Levy promoted to vp and assistant Eastern regional manager at Hatboro, Pa.-based Delaware Valley Underwriting Agency Inc. He has been with DVUA since 1978. **Jonathon Bannett** promoted to vp and manager of DVUA of New Jersey. He joined DVUA in 1979. Also, **Dennis O'Brien** named vp and manager of DVUA's Illinois office. Mr. O'Brien previously was with Transco Insurance Services Inc.

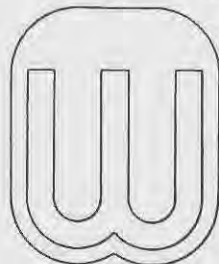
Manuel S. Puebla named vp-underwriting at The Doctors' Management Co. of Santa Monica, Calif., underwriting manager for The Doctors' Co., a professional liability insurer. Mr. Puebla previously was vp and division manager of Argonaut Insurance Co.'s Los Angeles and Orange County centers.

Robert J. Ceconi elected vp-casualty brokerage at Atwater McMillan Inc., a unit of The St. Paul Cos. Mr. Ceconi previously was regional manager of surplus lines-casualty.

"Here We Go Again"

The turn around has begun. Bold, imaginative marketing approaches will be ever more important.

The Wetzel Company, Inc.



P.O. Box 66452
Houston, Texas 77266
AC713/621-6033
Telex: 76-2053

datebook

JAN. 13-14. Insurance, Excess and Reinsurance Coverage Disputes seminar in New York, sponsored by the Practising Law Institute. \$395. Course handbook only \$40. Also **Jan. 27-28** in San Francisco. Ann Tracy, Public Information Officer, Practising Law Institute, Department A5, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

JAN. 17. Government Liability Insurance Crisis seminar in San Francisco, sponsored by the Public Risk & Insurance Management Assn.; \$100 for members; \$150 for non-members. Also **Jan. 21** in Dallas, **Jan. 24** in New York, **Jan. 28** in Detroit, **Jan. 29** in Denver, **Jan. 31** in St. Louis. Marilyn Millstone, Public Risk & Insurance Management Assn., 1120 G St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

JAN. 17. Health Claims seminar in New York, sponsored by Benetics Corp.; free. Also **Feb. 21** in Philadelphia. Benetics Corp., One Corporate Center, Suite 1500, Hartford, Conn. 06103; 203-249-7260.

JAN. 20-21. Developing and Managing an Employee Medical Monitoring Program course in Los Angeles, sponsored by the University of Southern California Institute of Safety and Systems Management; \$350. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, University Park, Los Angeles, Calif. 90089-0021; 213-743-6523/6524.

JAN. 21. Investor-owned Health Care Facilities in New York State seminar in New York, sponsored by The New York Business Group on Health Inc.; \$15 for members; \$25 for non-members. The New York Business Group on Health Inc., 622 Third Ave., 34th Floor, New York, N.Y. 10017; 212-808-0550.

JAN. 21-22. Annual Flexible Compensation conference in Arlington, Va., sponsored by Charles D. Spencer & Associates Inc.; \$400 to subscribers of the EBPR Research Reports; \$475 to non-subscribers. Charles D. Spencer & Associates Inc., 222 W. Adams St., Chicago, Ill. 60606; 312-524-6400.

JAN. 22-23. Computers in Risk Management seminar in Dallas, sponsored by the Public Risk & Insurance Management Assn.; \$450 for members; \$550 for non-members. Marilyn Millstone, 1120 G St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

JAN. 23. Current Developments in the Use of Letters of Credit in the Insurance Industry conference in New York, sponsored by Executive Enterprises Inc.; \$595 for the first registrant from an organization; \$495 for subsequent registrants. Executive Enterprises Inc., 33 W. 60th St., New York, N.Y. 10023-7988.

JAN. 24-25. Fifth Annual Occupational Health Nursing Principles and Certification Review course in Cincinnati, sponsored by the Occupational Health Consulting division of Fireman's Fund Risk Management Services Inc.; \$225. Also **Feb. 7-8** in Dallas, **Feb. 21-22** in Schaumburg, Ill., **Feb. 23-March 1** in Torrance, Calif., and **March 14-15** in Arlington, Va. Annette B. Haag, Director, Occupational Health Consulting, Fireman's Fund Risk Management Services Inc., P.O. Box 3890, San Rafael, Calif. 94912; 415-492-7753.

JAN. 27. Asbestos: The Architect's Response and Professional Liability: Coping with the Insurance Crisis teleconference/seminars, sponsored by the American Institute of Architects. Specific site information will be provided at the time registration is confirmed. \$99 before Jan. 20; \$125 after Jan. 20; \$198 for both programs. Brenda Henderson, AIA Professional Development Programs, Asbestos/Liability Teleconference, 1735 New York Ave. N.W., Washington, D.C. 20006; 202-626-7353.

JAN. 27-31. Occupational Health Nursing: Basic Theory and Update course in Los Angeles, sponsored by the Institute of Safety and Systems Management of the University of Southern California; \$550. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, Los Angeles, Calif. 90089-0021; 213-6523/6524.

JAN. 29. An Insurance Odyssey (The Twentieth Century) meeting in Minneapolis, sponsored by the Insurance Federation of Minnesota; free. Insurance Federation of Minnesota, 1310 Pioneer Building, P.O. Box 1467, St. Paul, Minn. 55101; 612-292-1099.

JAN. 29-31. Regulation of Chemicals in the Global Environment: Protecting the Public Against Hazards from Chemicals program in Brussels, Belgium, sponsored by The Bureau of National Affairs; \$420. International Chemicals Symposium Registrar, BNA Conferences, The Bureau of National Affairs Inc., 2550 M St. N.W., Suite 699, Washington, D.C. 20037; 800-424-9890, 202-452-4420 in Washington.

JAN. 30-31. Executive Compensation and Benefits: The Impact of Tax Legislation seminar in New York, sponsored by American Management Assn.; \$495 for members; \$570 for non-members. Phyllis White, American Management Assn., 135 W. 50th St., New York, N.Y. 10020; 212-903-8234.

JAN. 30-31. Executive Compensation: Planning Techniques and Strategies seminar in New York, sponsored by the Practising Law Institute. Also **Feb. 27-28** in San Francisco; \$390. Course handbook only \$40. Ann Tracy, Public Information Officer, Practising Law Institute, Department A5, 810 Seventh Ave., New York, N.Y.; 212-765-5700.

JAN. 31. Seventh Annual Risk Management Conference—Orange Empire Chapter in La Mirada, Calif.; \$60. Jeanne M. Warner, 1943 Rod-

ney Drive, #306, Los Angeles, Calif. 90027; 213-662-5846.

FEB. 5-6. Financial Analysis for Risk Management Decisions program in Phoenix, Ariz., sponsored by The College of Insurance; \$700 plus \$50 per organization. Also **March 12-13** in Tampa, Fla. Laura McKeon, Professional Development Programs, The College of Insurance, One Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

FEB. 5-7. Challenges of the Changing Marketplace conference in Atlanta, sponsored by the Atlanta Chapter of the Risk & Insurance Management Society; registration for members, \$100 in advance, \$125 on site; registration for non-members, \$115 in advance, \$140 on site; \$25 for students. Dennis F. McGovern, Kimberly Clark Corp., 1400 Holcomb Bridge Road, Roswell, Ga. 30076; 404-587-8000; or James S. Trieschmann, University of Georgia, Brooks Hall, Athens, Ga. 30602; 404-542-4290.

FEB. 6-7. The Crises in Directors & Officers Liability Insurance: Advising Corporations on Alternatives, Indemnification & the Business Judgment Rule conference in New York, sponsored by Law & Business Inc.; \$425. Also, **March 13-14** in San Francisco. Law & Business Inc., 855 Valley Road, Clifton, N.J. 07013. 800-223-0231; 201-472-7400 in New Jersey.

FEB. 12-13. London Market and its Future conference in London, sponsored by Risk Research Group Ltd.; 293.25 pounds (about \$410.55); 517.50 pounds (about \$724.50) for two registrants from same organization. Judith Hobday, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London, EC4V 4DD; 01-441-236-2175.

FEB. 17-19. Fifth Annual Pension Seminar in Kissimmee, Fla., sponsored by Corbel & Co.; \$395. Brenda Chatham, Registrar, Corbel & Co., P.O. Box 17548, Jacksonville, Fla. 32243-7548; 904-731-4455.

FEB. 17-19. Solvency Assessment course in London, sponsored by Risk Research Group Ltd.; 488.75 pounds (about \$684.25). Judith Hobday, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London, EC4V 4DD; 01-441-236-2175.

FEB. 19. OSHA Hazard Communication conference in Springfield, Ill., sponsored by the Illinois State Chamber of Commerce; \$45 for ISCC members; \$70 for non-members. Also **Feb. 25** in Chicago. Carol Jensen, Illinois State Chamber of Commerce, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-7373.

FEB. 19-20. Working with the New Versions of the Comprehensive General Liability Forms: Occurrence vs. Claims-Made Approach conference in New York, sponsored by Executive Enterprises Inc.; \$795; \$695 for each additional registrant from the same organization. Executive Enterprises Inc., Session #62INS03/E6001, 33 W. 60th St., New York, N.Y. 10023-7988; 212-489-2680.

FEB. 20. Corporate Homicide—Verdict: Murder seminar in Milwaukee, sponsored by the Wisconsin Chapter of the American Society of Safety Engineers; \$225. American Society of Safety Engineers, P.O. Box 391, Manitowoc, Wis. 54220-0391; 414-682-5995.

FEB. 24-25. Overhead Crane Safety seminar in Madison, Wis., sponsored by The University of Wisconsin-Madison; \$320. James E. Nicholls, Department of Engineering, University of Wisconsin-Madison, 432 N. Lake St., Madison, Wis. 53706; 608-262-0638.

FEB. 24-28. Reinsurance Practice course in London, sponsored by Risk Research Group Ltd.; 718.75 pounds (about \$1,006). Judith Hobday, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London, EC4V 4DD; 01-441-236-2175.

MARCH 5-7. Life Safety Symposium in College Park, Md., sponsored by the Society of Fire Protection Engineers; \$515 for members; \$545 for non-members. Lisa Juliano, Administrative Assistant, Society of Fire Protection Engineers, 60 Battery March St., Boston, Mass. 02110; 617-482-0686.

MARCH 9-12. International Benefits Conference in New Orleans, sponsored by the International Foundation of Employee Benefit Plans; \$530 for members; \$605 for non-members. International Foundation of Employee Benefit Plans, Attention Registration Department, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

MARCH 11. Captives in Brief workshop in Hamilton, Bermuda, sponsored by Tillinghast, Nelson & Warren Inc.; \$300. Micki Briskin, Tillinghast, Nelson & Warren Inc., 722 Post Road, Darien, Conn. 06820-4798; 203-655-9751.

MARCH 11-14. Seminar for Non-Insurance Professionals in Princeton, N.J., sponsored by The College of Insurance; \$595 for College sponsors; \$675 for others. Ronnie Kranis, Professional Development Programs, The College of Insurance, One Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

MARCH 12-14. 10th International Captive Insurance & Reinsurance Forum in Hamilton, Bermuda, sponsored by Tillinghast, Nelson & Warren Inc.; \$750; \$675 for additional registrants from same organization. Micki Briskin, Tillinghast, Nelson & Warren Inc., 722 Post Road, Darien, Conn. 06820-4798; 203-655-9791.

MARCH 13-14. Workers Compensation: Your Safety and Health Balance Sheet course in Los Angeles, offered by the University of Southern California; \$150 per day. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, Los Angeles, Calif. 90089-0021; 213-743-

6523.

MARCH 16-21. The College of Insurance Management Program in Princeton, N.J., sponsored by The College of Insurance; \$895 for College sponsors; \$1,050 for others. Also **April 13-18** in Tarrytown, N.Y. Ronnie Kranis, Professional Development Programs, The College of Insurance, One Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

MARCH 18. 1986 Commercial General Liability program in Dallas, sponsored by the International Risk Management Institute Inc.; \$295. International Risk Management Institute Inc., 10300 North Central Expressway, Building III, Suite 208, Dallas, Texas 75231-3390; 800-527-2580, 214-363-9656 in Texas.

MARCH 18-19. Post-Retirement Medical Benefits: An Employer Perspective conference in Chicago, sponsored by Charles D. Spencer & Associates Inc.; \$400 for subscribers to EBPR Research Reports; \$475 for all others. Charles D. Spencer & Associates Inc., 222 W. Adams St., Chicago, Ill. 312-236-2615.

MARCH 19-20. Reasoning Reinsurance seminar, in Irving, Texas, offered by the University of Dallas; \$525. Bruce Evans, University of Dallas, 1845 E. Northgate Drive, Irving, Texas 75062-4799; 214-721-5360.

MARCH 20. Managing the Worker's Compensation Claim seminar in Milwaukee, sponsored by the Wisconsin Chapter of the American Society of Safety Engineers; \$50 for members; \$60 for non-members. Betty Benishak, Wisconsin Chapter of the American Society of Safety Engineers, P.O. Box 391, Manitowoc, Wis. 54220-0391; 414-682-5995; or Russ Fote, 414-781-1323.

MARCH 20-21. The Brief Course in Reinsurance in New York, sponsored by The College of Insurance; \$165. Also **April 17-18**. Ronnie Kranis, Professional Development Programs, The College of Insurance, One Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

MARCH 23-28. 13th Workers Compensation College at Duke University, Durham, N.C., sponsored by the International Assn. of Industrial Accident Boards & Commissions; \$300 for members; \$400 for non-members. IAIABC College, P.O. Box 79109, Jackson, Miss. 39236; 601-355-4582.

MARCH 24-26. The 50th Loss Managers Conference in Orlando, Fla., sponsored by the Property Loss Research Bureau; \$70 for members; \$190 for non-members. Property Loss Research Bureau, 1501 Woodfield Road, Suite 400 West, Schaumburg, Ill. 60195-4978; 312-490-8650.

MARCH 24-28. Fundamentals of Industrial Hygiene Monitoring course in Long Grove, Ill., sponsored by National Loss Control Service Corp.; \$500; \$450 for two or more registering at the same

time. Also, **May 5-9**; **Sept. 8-12**; **Nov. 10-14**. National Loss Control Service Corp., K-3, John N. Garis, Long Grove, Ill. 60049; 312-540-2026.

MARCH 25-26. 1986 Employees Benefits Conference in New York, sponsored by The Conference Board Inc.; \$595 for associates; \$665 for non-associates. The Conference Board Inc., P.O. Box 4026, Church Street Station, New York, N.Y. 10261-4026; 212-759-0900.

MARCH 25-27. Laboratory Safety Course in Chicago, sponsored by the National Safety Council; \$375 for members; \$470 for non-members. Registrar, Safety Training Institute, National Safety Council, 444 N. Michigan Ave., Chicago, Ill. 60611; 312-527-4800, Ext. 5105.

APRIL 2-5. Corporate Benefits Management Conference in Phoenix, Ariz., sponsored by the International Foundation of Employee Benefit Plans; \$530 for members; \$605 for non-members. Also **May 7-10** in Atlantic City, N.J., and **August 3-6** in Monterey, Calif. International Foundation of Employee Benefit Plans, Attention Registration Department, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

APRIL 6-11. The Basic Course in Reinsurance in Princeton, N.J., sponsored by The College of Insurance; \$895 for College sponsors; \$1,050 for others. Ronnie Kranis, Professional Development Programs, The College of Insurance, One Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

APRIL 7-11. Safety in Chemical Operations course in Chicago, sponsored by the National Safety Council; \$595 for members; \$740 for non-members. Registrar, Safety Training Institute, National Safety Council, 444 N. Michigan Ave., Chicago, Ill. 60611; 312-527-4800, Ext. 5105.

APRIL 13-18. "Reach for the Top"—Risk & Insurance Management Society 24th annual conference in Toronto. \$545 for members and \$645 for non-members before Feb. 14; \$595 for members and \$695 for non-members after Feb. 14; reduced fees available for those attending only part of the conference. RIMS Conference Department, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

APRIL 16-19. Arbitration and Dispute Resolution institute in Scottsdale, Ariz., sponsored by the International Foundation of Employee Benefit Plans; \$450 for members; \$525 for non-members. IFEBP, Registration Department, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

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. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will be printed.

Equal Opportunities

Each weekly issue of *Business Insurance* gives you an equal opportunity to reach and motivate BI's more than 125,000 purchasing influentials . . . top administrative and financial executives, risk managers, employee benefits managers and the agents and brokers who serve their needs.

When you want to reach *your* prime audience, the *Business Insurance* audience is unequalled!

PUBLISHING DATES	CLOSING DATES
Jan 6	Dec 20
Jan 13	Dec 27
Jan 20	Jan 8
Jan 27	Jan 14
Feb 3	Jan 22
Feb 10	Jan 29
Feb 17	Feb 4
Feb 24	Feb 11
Mar 3	Feb 19
Mar 10	Feb 26
Mar 17	Mar 4
Mar 24	Mar 12
Mar 31	Mar 19
Apr 7	Mar 26
Apr 14	Apr 1
Apr 21	Apr 8
Apr 28	Apr 15
May 5	Apr 23
May 12	Apr 30
May 19	May 7
May 26	May 13
Jun 2	May 20
Jun 9	May 28
Jun 16	Jun 4
Jun 23	Jun 10
Jun 30	Jun 18
Jul 7	Jun 24
Jul 14	Jul 1
Jul 21	Jul 8
Jul 28	Jul 16
Aug 4	Jul 23
Aug 11	Jul 29
Aug 18	Aug 6
Aug 25	Aug 13
Sep 1	Aug 19
Sep 8	Aug 26
Sep 15	Sep 3
Sep 22	Sep 9
Sep 29	Sep 16



MACLEAN, ODDY & ASSOCIATES, INC.

Domestic & International Insurance Brokers

Insurances effected at Lloyd's London and representing major U.S. insurers.

We are pleased to announce the formation of our Marine and Aviation Division. This division concentrates on marketing medium and large commercial and industrial accounts specializing in:

- PACKAGE POLICIES FOR OIL AND GAS INDUSTRY
- RIG, PLATFORM & PIPELINE PHYSICAL DAMAGE INSURANCES
- MARINE LIABILITY INSURANCES
- OIL LEASE OPERATORS LIABILITY & PHYSICAL DAMAGE INSURANCES
- OPERATORS/CONTRACTORS EXTRA EXPENSE INSURANCES
- BUILDERS RISKS
- SPACE & RELATED INSURANCE
- AIRCRAFT, HULL & LIABILITY INSURANCES
- AIRPORT LIABILITY INSURANCES

For further details, please contact: Miles Lowein
Anita Chanpong
Jean Bommarito

2121 San Jacinto, Suite 1818, L.B. #7, Dallas, Texas 75201
(214) 969-0090 Telex: 163191 FAX: (214) 922-0113

(Exclusively through Agents and Brokers)

business insurance

New York: (212)210-0133
Chicago: (312)649-5275
Los Angeles: (213)651-3710

Self-insurance

Continued from previous page

"We are encouraging our clients to take higher self-insured deductibles and only insure exposures in excess of an aggregate that they do not feel comfortable exceeding," he continued.

"Insurers feel more comfortable writing business removed from the working levels of losses," Mr. Hug added.

In the current market, clients are more apt to reconsider all aspects of their insurance plans, producers say.

William H. Rauschenberg Jr., senior vp of Fickling & Walker Insurance Services Inc. in Atlanta, said clients also are evaluating their loss exposures to determine if they really need the high levels of excess coverage they purchased during the competitive market.

"In many cases, people bought coverages that were unnecessary because premiums were so low," he explained.

"There's no question that there's a shortage of capacity in the marketplace. However, a lot of the problem is a question of what is necessary coverage vs. what is desired in the marketplace," Mr. Rauschenberg added.

But, experts agree that agents and brokers who have not previously handled programs with self-insured retentions may have a hard time entering this arena during the current hard market.

In addition to the reluctance among excess catastrophe insurers to work with unfamiliar producers, many agents and brokers are scrambling so hard to find insurers willing to write or renew existing insurance programs that they simply do not have the time or the staff to explore new markets for clients.

"Smaller agents and brokers might have difficulty in bringing to bear the things we have in place already," said James' Mr. Ruoff. McGee & Thielen's Mr. Sanford agreed. "Because of their traditional ways of doing business, lots of smaller agents just don't want to get involved in self-insurance.

"But, if they don't do it, the big boys will," he added, explaining that his brokerage started placing programs with self-insured retentions when it lost a large account to a competitor because it did not offer self-insurance services.

Agents, though, must make a major commitment before entering the self-insurance market, said Gallagher's Mr. Krutek.

And, some agents and brokers may be reluctant to enter this market because, as a result of massive rate hikes in some commercial lines, producers can make more money on commission income from traditional insurance programs than they can from service fees generated by setting up self-insured programs.

Such an outlook "is very shortsighted," said Mr. Krutek, because "clients ultimately will get what they want" through another broker.

Insurance Management Associates' Mr. Cohen agreed that "agents who do not do self-insurance plans for their clients may not want to do so because it reduces their commission income."

But, he added, "My job is to get my client the best coverage. When the market hardens, I don't get double or triple commission income on this business (because of premium increases), but my client remains satisfied."

And, most observers say that the agents and brokers who do not learn the ins and outs of self-insurance may not survive the current hard market.

For example, Smyth, Sanford & Gerard's Mr. Sanford said agents and brokers don't have much choice about using self-insurance and self-insured retentions.

"There's no other way to do it. They're going to leave insureds bare without these programs," he said.

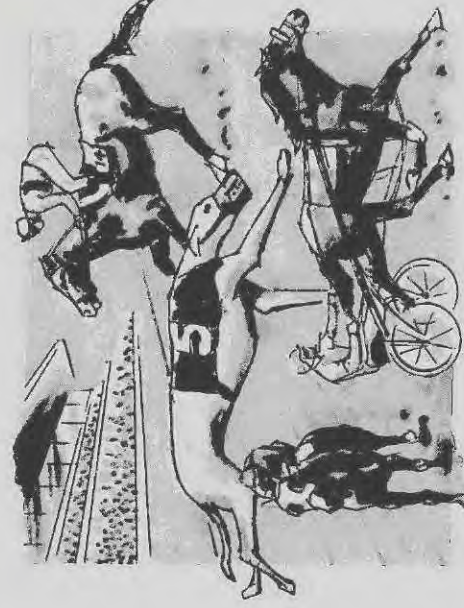
"I see a tremendous opportunity for brokers who learn to read the market and work with it," he added.

"If insurance is the only thing an agent has in his bag of tricks, he's in a heap of trouble," noted Robert A. Epstein, a former agent and now president of Risktech Inc., a risk management consulting firm in Houston.

"The risk financing mechanism is becoming less and less useful because insurers are retreating from whole markets," Mr. Epstein said.

"This doesn't mean that those same risks don't exist, it just means that insurance companies are turning their backs on them.

"Our people are still trying to make wagon wheels, and we don't need them anymore," Mr. Epstein said.



Rhulen
AGENCY, INC.

North America's Largest
Equine Insurance Specialist

196 BROADWAY, MONTICELLO, NY 12701
Peter L. Rhulen

(914) 794-8000 / (212) 924-1950

Outside New York State

Call Toll Free (800) 431-1270

Racetrack Liability... Rhulen Has The Market!

Paced to go the distance

The New York Insurance Exchange. Passing the five-year mark, we enter the next stretch as a major contender. For information on the structure, strength and progress of this insurance and reinsurance market, please write to the Exchange at 59 John Street, N.Y., NY 10038 or telephone (212) 618-9200.



INSURANCE
EXCHANGE

Only the strong endure.



Agents should learn to 'think international'

By ROBERT S. FRANK

THE GENERAL uncertainty of the international businessplace has increased demand in recent years for coverage of U.S. and Canadian companies' overseas personnel and corporate assets.

The result: broadened opportunities for agents and brokers who can market international coverages.

Since 1977, premium volume of privately offered international insurance has increased almost sevenfold, with the bulk of that increase generated by first-time buyers.

Thus, the commercial producer who "thinks international" can link a growing primary international insurance market with the array of newer coverages insurers are offering. New business may even arise from current domestic commercial clients venturing abroad for the first time.

Let's take a closer look at how agents and brokers can prepare for and handle this type of business.

Your role in serving clients' international insurance requirements need not be much different from your involvement in their domestic coverages: First you must determine who or what is to be insured and against what risks. Then, you work with an insurer to find coverage.

But, first you need at least a general awareness of the types of available coverage.

International coverages basically fall into three categories: exporter's insurance, political risk insurance and other coverages similar to domestic lines of insurance.

Exporter's insurance protects against foreign liability claims associated with the policyholder's products or the actions of its employees. The latest exporter's policies protect against losses from product recall and confiscation/civil war, coverage that had been hard to find.

Other insured exposures may include foreign auto liability, property of sales or exhibit samples in transit, kidnap and extortion and loss of foreign royalties.

Exporter's insurance protects the company's fixed assets and other property and personnel abroad. In some cases, commercial liability provisions cover employees' spouses and vendors.

However, don't confuse exporter's coverage with ocean cargo insurance, which protects an insured company's actual shipments, not its overseas assets and personnel.

Political risk insurance provides indemnification for

losses stemming from politically motivated actions. Such losses may involve seizure of assets by a foreign government, or loss due to insurrection, rebellion or terrorism.

In assessing a client's political risk insurance needs, carefully evaluate the coverage provided by the client's property policy, especially where property exclusions may come into play. Pay particularly close attention to policy definitions of insured risks, such as "civil commotion." This helps avoid gaps in coverage.

A cause of loss that is vague or ambiguous may fall somewhere between insured risks of the two separate policies. Thus, the claim may be denied under both because each insurer thinks the other should pay for the loss.

A recent innovation in international insurance, the Foreign Investment Policy, which provides property and political risk coverage in the same policy, has made it simpler to eliminate such gaps.

Other coverages, not all exclusive to foreign operations, are offered in various combinations. They are also available in monoline form. These coverages include protection against third-party crime, loss of earnings, business travel interruption and workers compensation.

Some insurers also offer "package" exporter's and political risk policies that include many of these coverages and, consequently, help eliminate critical gaps.

Besides buying coverage for buildings and other physical property abroad, a client also should consider purchasing coverage for money and securities, valuable papers and records and valuable personal articles.

While the approach to selling international coverage is similar to domestic coverage, an agent can benefit more from advice offered and products evolved from the market for international coverage than from domestic coverage.

Establish rapport with experienced international underwriters. Draw not only on their individual wisdom but also on their company's overseas networking.

Your relationship with these underwriters also should tell you how the insurer will respond to clients' needs. One indicator is the insurer's foreign facilities for prompt underwriting, claims services and on-the-spot advice.

For certain coverages, like political risk insurance, look for a proven history of working out potential losses that may have otherwise devastated a client's foreign operation. Often this type of capability can maintain the operation's

profitability and serves the client's long-term business interests better than simply processing a claim.

Certain insurers, for example, offer interest-free loans to insureds following a loss for which it's difficult to quickly assess the severity and amount of damage.

Identify the scope of the insurer's business. Be sure the insurer is as committed to serving smaller firms, if appropriate to your client base, as well as larger clients. Can it provide coverages appropriate to both? Does this array of coverages also include the innovations we examined earlier, particularly multiline packages?

Finally, determine the insurer's track record for claims service, particularly its flexibility and quick response. Tell clients it's essential to shop for value, not just low price, in the specialized field of international insurance. As with many products, you get what you pay for.

Even if agents are not now placing international coverages, they should keep abreast of foreign news events and talk with international underwriters. Many international losses are small, isolated incidents, often company-specific and without violence.

Underwriters can give you examples of potential losses your client may face. But your overall knowledge of U.S. foreign trade and political conditions also will help you more clearly identify your clients' concerns.

Becoming international-risk conscious through your personal research and discussions with underwriters helps you identify needs for coverage you might not have considered.

Your international clients may very well be entertainers, building contractors, non-profit organizations and even personal lines policyholders, not just traditional manufacturers and exporters. They may operate abroad for short periods under strict schedules in which the slightest mishap can result in a loss.

Your basic knowledge of international insurance and the help of experienced underwriters with a reputable insurer may not make you an expert overnight. But it is a start.

And, it can provide background for you to proceed with confidence, carefully building insurance programs to fulfill the needs of your new international clients.

Robert S. Frank is a senior underwriter and director of new products and marketing in the international department of Chubb Group in Warren, N.J.

OUR FIFTEENTH YEAR OF EXPERIENCE

STOP LOSS PROTECTION FOR SELF INSURED HEALTH CARE PLANS

ATTENTION: CONSULTANTS, ADMINISTRATORS, AGENTS, BROKERS

Aggregate and specific excess coverage for qualified groups with as few as 150 employees.

Write or call for your copy of our brochure.



Lafayette Life

The Lafayette Life Insurance Co.
Founded as a Mutual Company in 1905
317-477-7411

Tommy Anderson, CLU
Group Vice President
The Lafayette Life Insurance Co.
P.O. Box 7007-D
Lafayette, IN 47903

Dear Tommy: Please mail me complete details about Stop Loss Protection.

Name _____ Title _____

Company _____

Address _____

City _____

State _____ Zip _____ Phone _____

IIAA, PIA offering TV commentaries

The two largest agent groups—the Independent Insurance Agents of America and the Professional Insurance Agents of America—have taken to the television airwaves in independent efforts to explain the industry and its current concerns to the general public.

Both groups are producing public service insurance commentaries, seen monthly as part of the ESPN cable network's "Nation's Business Today," sponsored by the U.S. Chamber of Commerce.

The IIAA series was launched Nov. 20, 1985, with a segment featuring Jack Payan, the IIAA's president in 1982-1983 and president of Payan Stitt Insurance Corp. in Palos Heights, Ill.

He discussed insurance rate hikes and availability problems, explained state regulation of the insurance industry and urged buyers having problems finding adequate and affordable coverage to contact their state regulators.

Additional broadcasts will cover a variety of topics, including pollution liability, civil justice reform and the availability of commercial general liability insurance. The segments will feature different industry experts and be aired throughout 1986.

The PIA, based in Alexandria, Va., has been airing its monthly segments for the past year.

In the December commentary, PIA President James H. Davies outlined some of the insurance industry changes in store for businesses in 1986 and explained the reasons for the Insurance Services Office's proposed claims-made commercial general liability form.

A PIA segment on the need for civil justice reform aired on Jan. 3.

A PIA spokesman said the PIA and the IIAA are working together to avoid duplication or contradiction in upcoming broadcasts.

Presidents elected

Several major organizations recently elected presidents for 1985-86. The organizations and their new presidents are:

- The Independent Insurance Agents of America Inc., which elected Richard G. Taylor, president of Grant Hatch & Associates Inc. in Salt Lake City.

- The National Assn. of Professional Insurance Agents, which elected James H. Davies, president of Davies & Associates in Murray Hill, N.J.

- The Society of Chartered Property and Casualty Underwriters, which elected James L. Jerden, president of Pritchard & Jerden Inc., an Atlanta brokerage.

- The National Assn. of Casualty & Surety Agents, which elected James W. Noyes, president of Edward L. Noyes & Co. Inc. in Media, Pa.

- The Insurance Brokers Assn. of Ontario, Canada, which elected George A.N. McLean, president of McLean & Dickey Insurance Brokers Ltd. in Orillia, Ontario.

Farm cover sought

The Farm-Agri Business Committee of the Independent Insurance Agents of America in New York is conducting a national survey of insurance companies that write a variety of lines of coverage for farmers.

The committee also is meeting separately with the Federal Crop Insurance Corp. and the American Assn. of Crop Insurers to discuss other problems affecting agricultural insurance.

The association plans to use the

a/bt briefs

results of its survey of insurers to assess problems faced by rural insurance agents and to determine what can be done to combat these problems.

The Farm-Agri Business Committee plans to work for federal farm legislation in 1986.

It also plans to issue a quarterly newsletter to inform IIAA members of market information and committee activities, and to set up rural agent educational and informational seminars, according to the IIAA.



*Excess/Surplus
Marketing Intermediaries
for the retailer,
exclusively*

**Insurance
Brokers Service, Inc.**

230 West Monroe Street Chicago, IL 60606
312 621-1770 Telex 25-6231



business insurance

**Now available on
microfilm and
microfiche.**

**Only the finest, most respected
publications are on microfilm
and microfiche.**

Bell & Howell chooses only those publications with the highest reference or research value to be made available on microfilm and microfiche. This publication, among many other respected titles, has been awarded that honor.

Call or write Ms. Pam Shea, Quotations Editor
Bell & Howell, Micro Photo Division
Old Mansfield Road, Wooster, OH 44691
or call toll free 1-800-321-9881.

In Ohio call collect 1-216-264-6666.

Please send complete information about microfilm and microfiche.

Title of Publication _____

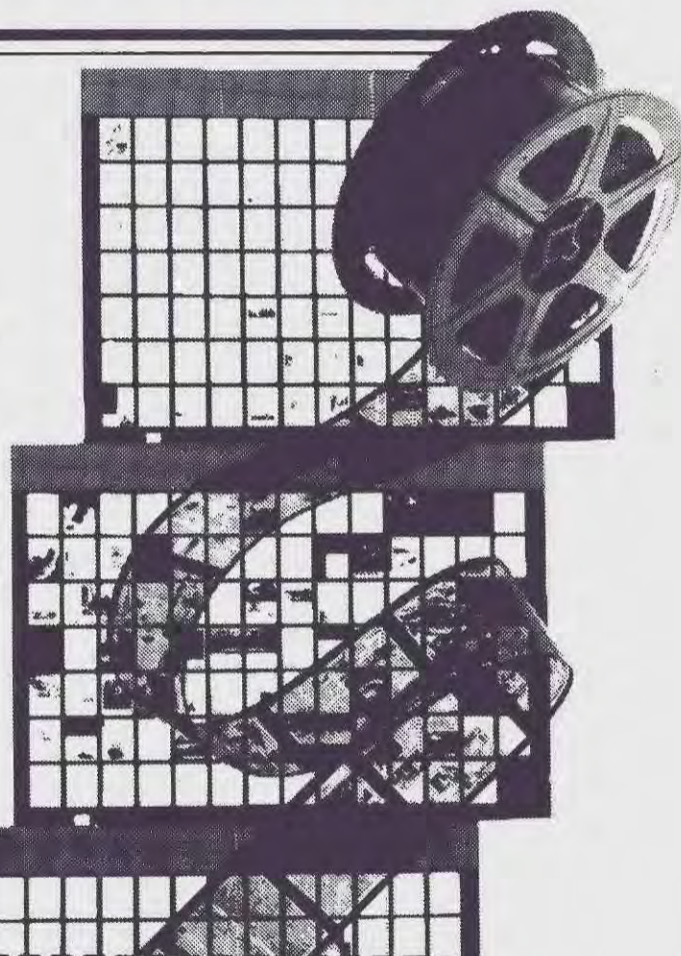
Name _____ Title _____

Company _____

Co. Address _____

City _____ State _____ Zip _____

BELL & HOWELL
MICRO PHOTO DIVISION



For over 25 years — Brownyard has protected the Security Guard Industry.

In 1959, William H. Brownyard created insurance protection for private security agencies. Since then, a whole Brownyard team has perfected the coverage. They continue today to provide state of the art protection to security guard agencies throughout the United States with stable, A rated and licensed carriers.



- Professional Liability Insurance
- Umbrella Liability Insurance
- Third Party Fidelity Bonding
- Workers' Compensation Safety Dividend Program

**BROWNYARD
BROTHERS**

20 Fourth Avenue, Bay Shore, N.Y. 11706 • (800) 645-5820 / (516) 666-5050

a/bt info

● The Professional Insurance Agents of Connecticut offers a "Survival Kit for Hard Markets" to help its members inform their clients about **policyholder rights in the case of insurance contract termination**. The kit also discusses regulations and laws governing policy non-renewals and cancellations. The kit is available free to members of the PIACT by writing P.O. Box 98, Glenmont, N.Y. 12077; 800-424-4244.

● Step-by-step procedures for choosing **courses, programs, study methods and materials**, as well as registering for national examinations, are outlined in "1985-1986 Key Information" from the Insurance Institute of America. A "Self-Inventory for Prospective CPCU/IIA Students" is also in-

cluded for students seeking educational counseling. Free copies are available from Field Services Department, The Institutes, 720 Providence Road, Malvern, Pa. 19355-0770; 215-644-2100.

● **Increasing profits and office efficiency** are the themes of a series of four audio-cassette tapes, "Strategies for Hard Markets," offered by the National Assn. of Professional Insurance Agents. The four tapes cover: creating powerful agency marketing plans; conducting complete agency audits to pinpoint and correct weaknesses; motivating producers to sales success and educating and inspiring agency staff; and cross-selling. The tapes are available for \$24.95 each or \$79 for the set from the PIA's Marketing Department, 400 N. Washington St., Alexandria, Va. 22314; 703-836-9340.

● IIR/ACORD has designed a new workbook, "Five Steps to Automation," to help agents and brokers understand, evaluate and prioritize their **automation needs**. The workbook helps an agency decide how much to spend and to evaluate computer hardware, software and electronic interface requirements. Single copies are available for \$15 plus local sales tax from IIR/ACORD, P.O. Box 253, Kendallville, Ind. 46755; or P.O. Box 120, Tracy, Calif. 95376.

● "Ten Reasons to Buy and 10 Reasons to Sell a Property and Casualty Insurance Agency" is a guide to **buying or selling an agency**. It also describes what kind of assistance to expect from a consultant in such transactions. The book is written by consultant Larry R. Farley, a managing partner in Farley-Quinn & Associates in Austin, Texas. To order, send \$4.95 to Opportunities, Wisdom Press, P.O. Box 9802-678, Austin, Texas 78766; 512-926-7911.

● A revised edition of the official **Tennessee study guide**, "Agent's Insurance Examination Preparation Manual," for life and health insurance has been published by Merritt Co. Copies are \$18 from the Tennessee Department of Commerce and Insurance, 114 State Office Building, Nashville, Tenn. 37219; 615-741-2241.

● "The Coming Capacity Shortage: A Study by Insurance Services Office Inc." examines the current and projected **capacity situation of insurers and reinsurers**. Aggregate industry data used for the study is from A.M. Best Co.'s Aggregates and Averages. Reinsurance data is from the Reinsurance Assn. of America and from John R. Zech, who was president of American Independent Reinsurance Co. at the time of his death last year. The booklet is free from ISO's Corporate Communications Department, 175 Water St., New York, N.Y. 10038; 212-487-5000.

● The Insurance Information Institute has released a revised and expanded edition of "Sharing the Risk." The 192-page book provides a wide range of **information about the property/casualty insurance industry**. The expanded edition includes a revised section on homeowners insurance and new sections on insurance career development, satellite insurance, financial guarantee funds, pollution coverages, occupational diseases and the Insurance Services Office's new commercial general liability policy. Copies are available for \$4.95, or \$3 each for three or more, and can be ordered from the III, 110 William St., New York, N.Y. 10038; 212-669-9200.

HEALTH INSURANCE



There's an added health bonus that most companies aren't aware of. The American Red Cross.

We teach more employees how to avoid on the job accidents and save

more lives than any other school in the world.

So call the Red Cross. And invest in our insurance program. Because one day, it will pay off in big dividends.



Photo: David M. Spindel, New York City

CONCENTRATION

When your arrows are scattered about, you'll never score as many points as when they're concentrated smack in the center of the target.

That's why, when it comes to your advertising, you should concentrate your efforts in the business publication that's right at the center of the risk management, insurance and employee benefits field.

Business Insurance. Reaching the more than 121,000 decision-makers in the target audience you're aiming at.

Your ads are sure to reach the influential buyers. A bullseye every time!

Business Insurance. Because no matter how many arrows you shoot, it's *where they land* that lets you score big.

**business
insurance**

The game plan that works.

It took 18 months to settle injury liability in the Hyatt skywalk case... ...and only 18 seconds to look it up in BI's Editorial Index.

With the BI Editorial Index, it takes just seconds to research events and issues that unfold over months, or even years.

When you need to pinpoint those crucial facts to guide you in your decision-making you'll find exactly what you need *quickly* in the BI Editorial Index.

All the **Business Insurance** news and features on a host of topics are catalogued in this indispensable Editorial Index: risk management, employee benefits, property/casualty, legislation, financial developments, market trends, losses, claims settlements, and much more!

You'll never again spend your valuable time wading through a pile of back copies to find what you're after! You don't have to rely on someone else to get you the facts!

The Index conveniently lists information by subject, persons quoted and companies mentioned.

The 1984 Annual Editorial Index is available now ... and there's a copy that belongs in *your* office. Or in *your* corporate library.

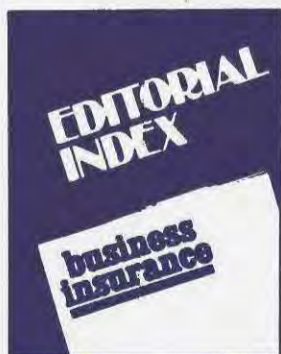
BI's Index Service is a must — for you and everyone in your corporation who have to keep abreast of the constant changes in the world of commercial insurance, risk management and employee benefits.

The 1985 full Editorial Index Service provides three quarterly reports plus a cumulative annual edition.

And, to make certain that you'll have *continuous* access to information, your purchase of the full Index Service allows you to get article citations from our Info Centers in New York and Chicago between publication of the quarterly reports.

Send in the coupon at the right, *now*, and make sure that vital information will be within your reach whenever you need it!

"Our past...fast!"



business insurance

A Publication of Crain Communications Inc.

New York: 220 East 42nd St., NY 10017 (212) 210-0133

Chicago: 740 Rush St., IL 60611 (312) 649-5275

Los Angeles: 6404 Wilshire Blvd., CA 90048 (213) 651-3710

WEEK OF JULY 27, 1981

Hotel cover may top \$300 million

WEEK OF AUGUST 10, 1981

Who will pay Hyatt punitive claims?

Disaster raises questions on architect's insurance needs

By STEPHEN TARNOFF

KANSAS CITY, Mo. — Who will pay any punitive damages awarded in lawsuits stemming from the Hyatt Regency Hotel disaster in Kansas City is unresolved, local attorneys say. Missouri law doesn't make it clear if defendants can pass the bill to their insurers. The lawyers also are uncertain a state prohibition on

Suits already filed demand \$27 million in punitive damages compared with \$450 million in actual damages and one attorney speculates the horror of the accident could encourage juries to award punitive damages. "There is outrage on the street," said plaintiff's attorney Max Faust, who has taken cases against Hyatt. But until the cause of the accident is determined, no

WEEK OF FEBRUARY 1, 1982

Hyatt class action allows settlements, but will they go on?

WEEK OF MAY 3, 1982

Settlement talks rumored in Hyatt class action

JANUARY 17, 1983

Skywalk liability set at \$100 million

By BILL DENSMORE

KANSAS CITY, Mo. — Liability costs arising from the Kansas City Hyatt Regency Hotel skywalk collapse will amount to about

either up to a flat \$100 million if they were merely in the lobby of the hotel when the skywalk fell but not directly injured, negotiate out of court with defendants for a full settlement of claims on any terms, some

Business Insurance Editorial Index

220 East 42nd Street, New York, NY 10017

Please send me the following Index(es) at \$150* each:

Annual Index Only: 1981 1982 1983 1984

Full Index Service: 1985

*Foreign Postage Additional

PAYMENT MUST ACCOMPANY ORDER

Visa Mastercard Check Enclosed

Account # _____ Exp. Date _____

Signature _____

Name _____ Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Telephone () _____

All renewals hard

Continued from page 1

Womack, president of McGriff, Seibels & Williams Inc. in Birmingham, Ala.

"Companies are more reluctant this year to renew business at any reasonable price, and we're having more trouble with umbrellas and excess/surplus business," Mr. Womack commented.

His brokerage hoped to have the desired limits placed for all its clients by Jan. 1, but the broker has had to request coverage extensions from some insurers until limits can be placed.

"We have quite a few clients for whom we have not completed coverage," said Jackie Mack, vp of marketing for The Rhulen Agency Inc. in Monticello, N.Y.

"Umbrellas can't be written before we have their primary coverage in place, and we still are having trouble getting the desired limits," he said.

It is difficult to even get quotes for many clients because insurers are not responding to submissions, Ms. Mack said. Insurers, however, are telling her that the situation will improve somewhat this month.

"Some of our renewals have had to go into assigned risk pools" to find primary coverage, said William B. Conner, president of Robinson-Conner Inc. in Erie, Pa.

"And some pieces of clients' excess insurance layers might go down to the wire or miss the renewal date by a couple of days," Mr. Conner added.

"The most difficult thing is the big adjustment on prices for our normal book of business," said Gaston Caperton, president of McDonough Caperton Insurance Group Inc. in Charleston, W.Va. "Then for the difficult business, availability is a problem."

Price hikes are varying tremendously for casualty risks, said Mr. Caperton. "They can go from 20% to multiples of what they were the year before."

Most brokers cite liability rate hikes of anywhere from 50% to 200%. And, on the most difficult lines, if an insurer can be found to write the risk, rates could be eight to 10 times as high as they were in 1985, with accompanying reductions in the limits of coverage.

Mr. Caperton and other brokers point to liability coverages for products, directors and officers, dramshops, trucking and commercial auto as being among those that are showing the sharpest price increases.

"Prices are almost off the chart," said Frank McDougald, senior vp and national marketing director at Fred S. James & Co. Inc. in New York. "They're four, 10, 20 times higher. There seems to be no rhyme or reason to it."

Lawrence Drake, managing director of Marsh & McLennan Cos. Inc. in New York, said M&M has received quotes that are 500% to 1,000% higher than last year for large clients with significant products exposures, depending on the limits sought and the nature of the risk.

Some of the high-layer excess insurers "will only come onto the risk for more premium than was charged for lower levels," notes Mr. McCaffrey of Hall.

"We have to go back and readjust the premiums" so that clients are not paying more for excess than they are for their primary coverage, he explained.

Rate increases on excess coverage are more dramatic than they are for primary coverage, agreed Jim Dines, marketing coordinator for Andreini & Co. in San Mateo, Calif. Not only are excess insurers imposing the same kind of increases on premiums, but they are also changing rating structure.

Previously, an excess premium might have been 10% to 15% of a client's primary insurance pre-

mium, Mr. Dines said. But now the charge may represent 25% of the higher primary premium.

Mr. Nelson agreed with Mr. McCaffrey that sometimes excess coverage premiums are nearly as high as those charged for primary coverage.

A lot of excess liability insurers that were formerly writing coverage for rates of, say, \$1,500 to \$2,500 per million of coverage, have hiked rates to \$20,000 to \$30,000 per million, said Mr. Womack of McGriff Seibels.

"It's an uncontrolled market. They can do what they want to. These are the biggest rate increases," he added.

Property rate increases are ranging anywhere from 25% to 200%, brokers say. Properties with high values, which were very attractive to insurers during the competitive market and were written at extremely low rates, now are being assessed among the biggest rate in-

Continued on next page



And Found.

The Business Insurance Editorial Index helps you find the facts you need quickly!

- * Lists all Business Insurance news and feature articles.
- * Conveniently organized by subject, persons quoted and companies mentioned.
- * 1985 Editorial Index service includes three quarterly reports and a cumulative annual edition; 1981 thru 1984 Indexes available in hardbound annual editions.
- * You'll never again spend valuable time wading through a pile of back copies to find what you're after!
- * Only \$150 per year.

Find your way to the facts!
Send in the coupon now!

business insurance

New York: 220 East 42nd St., NY 10017 (212) 210-0137

Business Insurance Editorial Index.
220 East 42nd Street, New York, NY 10017

Please send me the following Index(es):

Annual Index Only:

___ 1981 ___ 1982 ___ 1983 ___ 1984

___ 1985 Full Index Service

* \$150 each year, plus foreign postage.

PAYMENT MUST ACCOMPANY ORDER

___ Visa ___ Mastercard ___ Check Enclosed

Account # _____ Exp. Date _____

Signature _____

Name _____ Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Phone _____



150 insurance companies know PCS is the #1 processor of prescription drug plans.

That's why they offer PCS as part of their group insurance portfolio. Today, PCS processes drug claims for over 65,000 groups covering over 10 million people! Here are some reasons why:

- The PCS built-in cost containment and auditing systems are the industry standard.
- The PCS card offers high benefit visibility for a low cost.
- PCS is easy and convenient to use.
- PCS offers a network of over 56,000 member pharmacies.
- PCS offers plans throughout North America: the U.S., Canada and Puerto Rico.

PCS can help make you and your benefit portfolio #1. Let us show you how. Please call or write:

William H. Boucher / V.P., Sales & Marketing / Pharmaceutical Card System, Inc. / 9060 E. Via Linda / Scottsdale, AZ 85258 / 602-951-4897



All renewals hard

Continued from previous page
 creases to bring them back to adequate levels.

For some brokers, pricing problems have to fall behind capacity woes.

"Pricing is not as much of a factor as finding a market," says Richard Metcalfe, executive vp and branch manager of the San Francisco office of Jardine Insurance Brokers. The toughest task "is keeping companies available to look at accounts up for renewals."

Fred C. Burns, managing partner with John L. Wortham & Son in Houston, said clients cannot get the limits they were able to purchase formerly.

"We arrange something, but not the same amount of coverage as last year. Some clients had higher limits than they needed last year. Some have less coverage than they would like this year," Mr. Burns explained.

With January renewals, "it is more difficult to get the limits of capacity our clients desire," said Mr. McCaffrey of Hall.

"We may have the terms, but the limits available are so low that effectively we haven't completed the renewal, because we're still looking for additional limits," Mr. McCaffrey added.

"Umbrella capacity has been reduced dramatically," Mr. McCaffrey stressed. "Getting simple primary coverage is a challenge, much less finding coverage over the primary limits. And, the limits of primary coverage are being reduced," he said.

Any liability coverage not renewed by the present carrier is extremely hard to place, says Mr. Caperton.

Brokers agree that capacity shortages still exist in property lines, but they say problems are not nearly as severe as with liability coverages.

All brokers pointed to earth-

quake coverage as one property class that continues to rise in price and fall in availability.

Ms. Mack added that it is also difficult to obtain adequate limits on high value properties.

Mr. Bolin cited further difficulties in building coverage for flood and windstorm risks over what is covered by state pools on Gulf Coast properties.

Overall, however, "there seems to be a willingness to underwrite property risks," said Mr. McDougald of Fred S. James.

"Property is not as traumatic as the casualty side," agreed Mr. McCaffrey. "Global programs—what's left of them—are a problem in property, but in general, property accounts are at least being looked at," Mr. McCaffrey said.

While large clients are having problems finding wanted liability insurance limits, "one of the toughest areas to place is small commercial accounts," said Mr. Womack, referring to accounts generating

less than \$5,000 in annual premium.

Mr. Dines agreed. Insurers, he said, are "looking at what business can produce a dollar amount of premium. If an account is not considered to bring in a reasonable amount of money, the insurer will not offer insurance."

But, medium-sized accounts may find that capacity and pricing problems are easing.

"It's abating somewhat," said Michael R. Hogan, senior vp of business development and support at FBS Insurance in Minneapolis, which specializes in serving medium-sized accounts in the upper Midwest and Great Plains area.

"It depends on the line," Mr. Hogan says. Some coverages, such as liquor liability, still remain very hard to place, he said. "Certain coverages you just can't get."

"In general, we're finding things are getting a bit easier," said Mr. Hogan. He said some lines are seeing rate increases smaller than last

year's because insurers have already bolstered their surplus with higher premiums.

Mr. Hogan said he has had fewer problems finding capacity for wholesaling and retailing clients this year, and restaurants without bars are having an easier renewal season than in 1984.

He said renewals are taking only 2½ times longer to complete now than they should. "There was a period there for a while where it was taking five times as much time to complete."

Most brokers expect to be rounding out coverages throughout the month and into February.

When adequate limits have not been secured by Jan. 1, Arthur J. Gallagher & Co. in Rolling Meadows, Ill., will "put the base program together and keep searching for higher limits," said J. Patrick Gallagher, vp of operations.

However, Gallagher "had a pretty good track record last year" on completing renewals, and this year should have "most of the major portions completed by Jan. 1, with some touching-up and knotting early in 1986," he said.

Uncompleted renewals can, in many instances, be linked to the problems insurers are having lining up their reinsurance treaties, brokers say.

"We are seeing other insurers who can't quote the same limits they did before because they can't get reinsurance," notes Mr. Conner. "We are using buffer layers more," he commented, referring to insurance policies purchased to fill the gap between the upper limit a primary insurer will write and the lower limit an excess insurer will write.

Insurers facing reinsurance capacity problems often will provide policy quotes contingent on their ability to arrange sufficient reinsurance.

Continued on next page

Business Insurance

Directory of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services

ROUTE TO:

- PE CFO
- VP FINANCE
- RISK MANAGER
- BENEFITS MANAGER
- DIR. COMPENSATION
- VP HUMAN RESOURCES
- PENSIONS/RETIREMENT
- DIRECTOR, SAFETY
- CLAIMS MANAGER
- VP INDUSTRIAL REL
- INSURANCE MANAGER
- LIBRARY

Amid the many reference tools available, there is one unique source book that identifies the major buyers in the commercial insurance industry. The 1985 Business Insurance Directory of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services, which features listings on more than 2,000 U.S. corporations, is available now.

The BI Directory provides an expanded list of the major buyers by name and title ... plus corporate address and phone, information on company sales volume and employee population. Access to data is easy with complete alphabetical listings and condensed indexes by size of company and geographic region.

Buyers and sellers alike use the BI Directory. As a buyer, the directory helps you identify your corporate counterparts; and as a seller, you can pinpoint these influential buyers and reach them easily.

Avoid commercial insurance gridlock—order your 1985 BI Directory today, after all...

the BI Directory is the route to take.

Business Insurance Directory
 Single Copy Sales, 740 Rush Street, Chicago, IL 60611

BI 1-6-86

Please send me _____ copies of the Business Insurance Directory of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services \$50 each; \$40 each for 5 or more

Bill me _____ plus \$5 additional charge for handling; Payment Enclosed; Visa; Mastercard

Account # _____ Exp. Date _____ Signature _____

Name _____ Title _____

Company _____

Address _____

City _____ State _____ Zip _____ Telephone () _____

business insurance

New regs make N.J. risks tough

New regulations in New Jersey governing underwriters' cancellations and premium increases are forcing brokers to scramble to renew commercial property/casualty coverages in that state.

The directive signed by Gov. Thomas Kean in November makes it illegal for insurers to cancel coverage or raise rates in mid-term without permission of the state insurance department.

The situation is causing insurers to cut back on the coverage they write in New Jersey and is one of the reasons Fred S. James & Co. Inc. of New York won't have all its renewals in place by Jan. 1, says Frank McDougald, senior vp and national marketing director.

"We're having a horrible time in New Jersey, just like everybody else is," Mr. McDougald remarked. "It is difficult to get anybody to even talk to us" about insuring a risk in that state, he added.

Richard Maxwell, executive vp of brokerage services at Corroon & Black Corp. in New York, said his firm also is having problems finding coverage for New Jersey-based risks. He said the regulations are "forcing carriers to do certain things... and many carriers don't want to write in the state."

Two state courts denied insurers' requests for immediate relief from the New Jersey rules, but an appeal is pending. (BI, Nov. 4, 18).

Continued from previous page

"A lot of treaties expire Jan. 1," said Richard Maxwell, executive vp of brokerage services at Corroon & Black Corp. in New York. "Therefore, carriers are waiting for treaties to be put in place before they commit themselves. A lot of underwriters are sitting back saying they won't quote on a line until they find out what their reinsurance is. They're all scurrying around too."

"We've had a bunch of quotes contingent on reinsurance," said Mr. Miller of BRI.

"We've seen a lot of that," Mr. Gallagher agreed.

Mr. Miller also noted that some insurers have agreed to write a piece of business but have not quoted premium costs until their reinsurance is in place.

At least one broker, however, says she isn't interested in that kind of commitment from an insurer.

"I tell them to go back and look for reinsurers, and then give me a quote," said Ms. Mack of Rhulen.

And, on some accounts, insurers have backed out of a firm quote because of lack of reinsurance, brokers say.

Mr. McCaffrey said he has seen insurers back out of quotes on umbrella policies and difficult casualty lines.

Mr. Nelson of Redland said that in addition to seeing insurers back out on firm quotes because of a lack of reinsurance, insurers also have "come back after we have delivered a quote to our clients and hiked the rates more because of the cost of the reinsurance. Any time insurers have to go out for facultative reinsurance, the reinsurance premiums are ridiculous."

Mr. Metcalfe at Jardine agrees that when insurers have to buy facultative reinsurance, "that is very costly."

These last minute changes wreak havoc.

"We've been pretty well able to keep most of our clients' coverages patched together," said Michael O. Leavitt, president and chief executive officer of The Leavitt Group in Salt Lake City, Utah. "But, you think you are finished with an account and something comes up and you have to start again."

Some brokers say the array of claims-made forms for excess insurance is complicating this year's renewals.

"It's more confused than it was last year," said Mr. McDougald, in part because some insurers are constructing their own claims-made forms on which they will write excess casualty renewals. Those forms are complicated and widely divergent, he says.

M&M has seen as many as eight "disparate forms" that insurers want to use to write excess layers, according to Mr. Drake.

Insurers issuing their own excess claims-made forms include American International Group, CIGNA Corp., The Travelers Indemnity Co., The Home Insurance Co., The Hartford Insurance Group (by endorsement), Lloyd's of London and H.S. Weavers (Underwriting) Agencies Ltd. In addition, Trenwick America Reinsurance Corp. has drafted a claims-made primary and excess policy it says it will insure.

"There doesn't seem to be an outright leader among the claims-made forms" for excess coverages, Mr. McDougald said. "It is a difficult role to meld all the forms together."

Thomas D. West, senior vp with Alexander & Alexander Inc. in Dallas, says, "We're trying to study them, and it's causing a lot of confusion," he noted. "You can't compare them easily."

In many cases, provisions in the forms are "more onerous than ISO's," Mr. Drake noted, referring to the Insurance Services Office's primary claims-made form for commercial general liability insurance.

For example, he said, the different forms contain varying triggers of coverage, including provisions that an insurer will respond only to a written notice of claim.

Under the ISO form, a verbal notice to the policyholder is sufficient to trigger coverage.

Because there are so many different forms, it is likely that risk managers will find their excess coverage made up of a patchwork of claims-made policies, brokers say.

Samuel Alcorn, senior vp at Bayly, Martin & Fay International Inc. in Fort Worth, Texas, said, "Different layers are going to be written on different forms." Divergent excess claims-made forms create problems, he added.

For primary coverages, brokers say insurers appear to be waiting for more states to approve ISO's primary general liability form before switching coverages to a claims-made format.

"It's not as much of a problem

with primary coverages," says Mr. West of A&A. "There is a sort of wait-and-see approach by a lot of insurers. They are sitting on the fence and can't jump one way or the other until they see where the forms are approved."

But, underlying occurrence policies and excess claims-made policies create more confusion for policyholders, brokers note.

If rate hikes and capacity problems do not improve soon, some brokers say clients may find insurance to be unaffordable.

"We really have to ask ourselves, 'Are we putting clients in the position of going broke to pay their premiums?' We may put some of these people into bankruptcy," Mr. Womack of McGriff Seibels warned.

Mr. Womack reported that his company recently delivered a package renewal quote to a manufacturing client that exceeded the client's 1985 profits. The quote was \$608,000, up from \$108,000. The company's 1985 profit was \$400,000.

Needless to say, the client and broker are trying to restructure the program.

Some brokers predict that if insurance becomes too expensive, the insurance industry may permanently lose business to alternative systems, such as self-insurance and pooling arrangements.

"In some instances we've had pricing in place and delivered to our insureds, and they are saying to us, 'We are considering going bare.' No one has done it yet, but they are considering it," said Mr. Nelson of The Redland Group.

Current premium hikes are simply too high, even for good risks, Mr. Nelson said. "A guy doesn't have to pay for his own losses to be wiped out financially. He can pay us to wipe him out," he added.

"They may eventually self-insure," he predicted.

The only improvement that may be seen in the current insurance market over that which existed in 1985 is that the market today is

"becoming a little more predictable," said Mr. Dines of Andreini & Co.

Mr. Dines said that now brokers "have a notion of what markets are willing to look at" specific lines of business. In contrast, in 1985 insurers were fleeing various markets at too rapid a pace for brokers to keep track of which insurer to turn to when placing a piece of business.

"The chaotic backing away from business has stabilized, and we now have a better idea of what message to convey to our clients," he added.

And, brokers note, they have the experience of last year's renewal season under their belts.

"We were surprised last year, and we aren't as surprised this year," says Mr. McDougald.

"We're used to it," said William F. Poe Jr., chairman of Poe & Associates Inc. in Tampa, Fla. "We probably have a better feel of what's being discussed. But he adds, "It's still pretty difficult and chaotic."



Skandia America has a commitment to reinsurance

85 Years Experience. Skandia America Group's tradition for providing sound reinsurance dates back to 1900. Today, in addition to our own strong financial structure, we are backed by Skandia Group which has \$7.3 billion in assets. **Result: Skandia is positioned to provide you with stability based on financial integrity.**



SKANDIA
AMERICA
GROUP

The resourceful reinsurer

280 Park Avenue • New York, N.Y. 10017

London renewals

Continued from page 1

"There is confusion over what policy form will be used in London" for excess liability coverage, he explained.

"And, the legal costs have escalated in the States to a point where London underwriters are reluctant to be liable to pay for that amount of litigation.

"I hope that by Jan. 1, London underwriters will have changed their minds," the broker said late last month. "But, underwriters have focused on U.S. casualty as an area which they do not want to underwrite."

Leonard N. Marden, deputy chairman of Lloyd's reinsurer Golding Stewart Wrightson Ltd., said: "It's difficult to be polite, isn't it? It is certainly the most difficult season, but on the other hand you could... say it was the most realistic, considering (underwriters') results."

The state of the market is one of "confusion," said Dennis Mahoney, chairman of Lloyd's broker Alexander Howden Group Ltd.

"We are going through the expected turmoil, which is caused by pricing and capacity problems, and that is being aggravated by underwriters' move to claims-made" policy forms.

Buildings along Lime Street, including offices at Lloyd's of London, were clogged with brokers clutching orders and searching for insurers to write them.

There was no place to sit in underwriters' waiting rooms, especially at H.S. Weavers (Underwriting) Agencies Ltd., a leading underwriter of U.S. casualty risks.

While many of the brokers were searching for primary and excess coverage for U.S. buyers, some were trying to complete U.S. insurers' reinsurance treaties. Others were still placing reinsurers' retrocessions—placements that are usually completed by the beginning of December.

Brokers noted that much of the year-end crush was caused by American buyers, who could not find adequate capacity in the U.S. market and thus turned to London for coverage.

"I have never known a year in the last 30 years I have been in the business where Americans have visited London the week before Christmas with no capacity," said one leading London non-marine broker who asked not to be identified.

"They are desperately short, and I don't see any leveling out yet of price and capacity and won't for a long time," he said.

Many brokers said they have been work-

Brokers said much of the year-end crush in London was caused by American buyers, who could not find adequate capacity in the U.S. market. "I have never known a year... where Americans have visited London the week before Christmas with no capacity," said one leading London non-marine broker.

ing 15-hour days in an attempt to place the glut of American orders that have swamped the London market.

"We've had probably 1,000 submissions to us since July and placed roughly 50," said Brian Hibbert, chairman of Bowring Non-Marine Insurance Brokers Ltd. "It's frustrating."

Even senior brokerage executives pounded the streets looking for insurance and reinsurance capacity.

Mr. Mahoney, Howden's chairman, said he sat for at least an hour in the waiting room of Lloyd's underwriting agency Janson Green Ltd. to see Gale Coles, the agency's deputy chairman and underwriter.

The long lunches that are common in the London market during the holiday season were for the most part eliminated.

And, brokers said tempers flared because of their sheer frustration, with fights occasionally breaking out among brokers standing in line at Lloyd's.

"The market is now very congested, because there aren't just facultative brokers queuing but also treaty brokers," said John Sawkins, deputy chairman of Bain Dawes North America Ltd.

"So, anger can erupt among brokers when they can't get in to see an underwriter for two or three days."

While the brokers were frustrated, some underwriters said they were relatively content with the goings-on.

For example, Peter Wilson, managing director of H.S. Weavers, said he was more relaxed than he had been all year, even though brokers were lined up outside his office.

Weavers in October became the first London underwriting agency to introduce a claims-made excess liability policy form. Now, other London underwriters, including Lloyd's underwriters, are implementing their own claims-made forms.

"The year-end is tremendous from the underwriters' point of view," Mr. Wilson said. "Business is being placed on the right basis with the terms that we are looking for..."

Unlike the 1984 year-end renewal season, none of this year's confusion came as any

surprise to brokers, who say they have been telling their clients throughout 1985 that the year-end renewals season would be grueling.

In fact, Marsh & McLennan Cos. Inc. and C.T. Bowring & Co. Ltd., M&M's British subsidiary, tried early in 1985 to prepare clients for year-end renewals, said Myra L. Tobin, an M&M managing director in New York.

"We start negotiations six to nine months in advance and prepare our clients for capacity and prices," she said.

"It has helped risk managers prepare their management."

Some brokers still hope that, like last year, gaps in clients' coverage that remained after Jan. 1 will be filled in during the coming months.

But, other brokers say they are more realistic and believe that clients will have to contend with coverage gaps—or in some cases no coverage at all.

"Everybody's short of coverage this year," said Michael Small, chairman of Lloyd's broker Fenchurch Group Brokers International Ltd.

Buyers looking for excess liability capacity in London are settling for substantially reduced limits, brokers say.

While \$30 million to \$50 million of general liability capacity could previously be found in London, "now I just can't tell what I am going to do," says one broker.

"My guess is that about \$10 million can be finished on a Weavers quote. After that, I don't know."

Mr. Mahoney said that only \$200 million of liability capacity exists on a worldwide basis this year, compared with \$500 million last year.

Weavers' Mr. Wilson said that, depending on the risk, the cost of excess liability coverage is increasing from 25% to 200%.

For example, "the lawyers liability insurance market is in a terrible state," said Peter Christie, chairman of Lloyd's broker Minet International Professional Indemnity Ltd. "Major law firms are running with no coverage at all, some with only \$20 million and some with price increases of 500%. It is absolutely bloody."

"U.S. brokers' errors and omissions cover-

age is almost non-existent," he added.

Just as the lack of capacity in London is affecting U.S. buyers, the lack of capacity in the U.S. market is affecting British brokers' E&O coverage, he explained.

"We can't get any U.S. market to look at E&O" for London brokers, Mr. Christie said.

Lloyd's brokers, which are required to have at least 20 million pounds (\$28.4 million) of E&O coverage to work at Lloyd's, are finding it nearly impossible to buy the 150 million pounds to 200 million pounds (\$213 million to \$284 million) of coverage that some large brokers had purchased in the past, Mr. Christie admitted.

Mr. Christie refused to specifically comment on the liability renewals of Minet Professional Indemnity's clients, which include eight of the world's largest accounting firms.

London sources say that nine large accounting firms are together paying premiums of \$70 million for \$100 million in liability limits per firm.

But, Mr. Christie termed the overall professional liability market as "terrible. A lot of big professional firms are not being renewed until the middle of the year, but the market is extremely adverse to professional liability. The market is highly unpredictable."

Directors and officers liability is another line in which capacity has shrunk and rates have soared.

While buyers last year could purchase \$150 million to \$200 million of D&O coverage worldwide, "now they are lucky to get \$50 million," said Mr. Christie. "And the price increases are in the hundreds of percent."

There is also a "severe drop in capacity" for any contract that includes workers compensation risks, with rate increases ranging from 20% to 60%, Mr. Marden of Golding Stewart Wrightson said.

The liability coverage crunch for U.S. risks has overflowed into foreign companies' global property and casualty programs, sources agree.

Beginning Jan. 1, reinsurers forced European underwriters to exclude U.S. subsidiaries from non-U.S. companies' global liability programs.

Because of this decision, London brokers now have to restructure foreign companies' global insurance programs, said David Cowley, director of Bowring London Ltd.

"I don't think global programs are dying," Mr. Cowley explained. "But the cost for liability coverage in the States is such that you do not want to jeopardize the premium for the rest of the worldwide operations by including the States in the program."

"So, there may be an argument for isolating North American exposures," he said.

the professional marketplace

RATES AND CLOSING TIME:

Rates: Display classified is \$79.50 per column inch, minimum of one inch. Straight classified is \$6.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional \$13.00 charge for blind box ads. Responses to blind box ads must fit into business size envelope. Responses are forwarded daily.

Closing: Published every Monday. Copy must be in written form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required. Mail ads to Beverly Kluxdal, Classified Advertising, 740 N. Rush St., Chicago, IL 60611. For more information call 312-649-5341.

Business Insurance Circulation Breakdown* Commercial Consumers

Administrative:	
CEO's presidents and owners	2,531
Vice-presidents, general managers and other administrative personnel	2,547
Financial:	
Chief financial officers and vice-presidents of finance	2,075
Secretaries, treasurers, controllers and other financial personnel	6,886
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	8,048
Sub-total	22,087
Associations	804
Government, unions and educational systems	1,030
Commercial Consumers	
Sub-total	23,921
Insurance agents and brokers	9,548
Insurance companies	6,089
Financial institutions	536
Actuaries, attorneys, adjusters, appraisers and consultants	3,464
Others allied to the field	1,320
TOTAL	44,878
* Source: Business/Occupational breakdown of qualified circulation, May 8, 1985 issue, as submitted to BPA for June 1985 BPA Publisher's Statement.	

WANTED

Insurance Executive seeking to acquire equity position in established P C brokerage in NY So Conn area. Extensive experience, good market connections. Goal is continued growth of firm through new sales production ability and business retention. Reply: Box 1936, Business Insurance, 740 Rush St., Chicago, IL 60611

CAPTIVE

Insurance Firm (Bermuda) available as shelf captive immediately. Call 517-394-1781. Ask for Shelf Captive.

INSURANCE AGENT

Desire hardworking professional insurance agent for aviation and marine specialty agency. Prefer college grad or CPCU. FL 2-20 license with insurance experience and sales ability. Reply to:

P.O. Box 5058
Ormond Beach, FL 32074
(904) 672-7281

Assure yourself top quality employees—Advertise your openings in the Business Insurance Classifieds.

GROUP HEALTH INSURANCE SALES MANAGER

Dynamic, motivated individual being sought to head the Sales Department of a large TPA Marketing Firm for several major carriers on both fully-insured and self-funded basis. Our product line ranges from 2+ lives dealing with independent brokers on a direct basis. Competitive and expanding rapidly, we are looking for someone to keep our pace and direct all divisions of the sales area.

All responses held in confidence.

Submit resume and salary requirements to:



IBA Inc.
Fran Gaik
5600 S. Wolf Road
Western Springs, IL 60558

MINNESOTA WORKERS' COMPENSATION SPECIAL FUND DIRECTOR

Twin Cities

Direct Fund with \$60 million annual liability and staff of 27. Responsible for overall financial and administrative operations, including Second Injury, Supplemental Benefits, Insurance Verification and Uninsured Claims.

Applicants must have 2 years' experience processing and auditing and/or adjusting insurance claims, including one year in workers' compensation and at least six months' supervisory or managerial experience directing claims processing and auditing/adjusting operations. Knowledge of accounting and risk management principles is desirable. Salary: \$30,443-\$40,862.

Please indicate interest by January 15, 1986 to David Abrams, Minnesota Department of Labor and Industry, 444 Lafayette Road, St. Paul, Minnesota 55101.

Labor and Industry encourages women and minorities to apply.

CLAIMS AND RISK MANAGER

The Catholic Mutual Relief Society and the Diocese of Wheeling/Charleston seek a multiline property and casualty claims person with a minimum of 7 years experience to administrate all claims, safety and risk management functions. The candidate will be an integral part of a high performance program. No prior risk management or safety experience necessary. Position will provide in depth training in all non-adjusting areas. Proven casualty investigative skills with major insurance company or independent a plus. Starting salary will range from 30M to 35M, plus a comprehensive benefit program. Send resume including salary history in confidence to:

Reverend Robert C. Nash
Chancellor
1300 Byron
P.O. Box 230
Wheeling, West Virginia 26003

London brokers juggle claims-made forms

By STACY SHAPIRO

LONDON—Excess liability insurance placed in the London market this renewal season often may be written on two different claims-made forms.

While most London underwriters are demanding that excess liability coverage be on a claims-made form as of Jan. 1, they are split in their support of the claims-made forms introduced by leading Lloyd's of London underwriters and the form introduced by H.S. Weavers (Underwriting Agencies Ltd).

Consequently, brokers are forced to put together excess liability insurance programs that use the Weavers form on some layers and the Lloyd's form on others. Or, they are settling for coverage on only one or the other form.

Either way, coverage gaps can result.

"No doubt there is a problem because brokers cannot complete on either the Weavers or Lloyd's policies," said Robin A.G. Jackson, director of Merrett Syndicates Ltd. "I hear that brokers are placing the first layer with Weavers and then placing the excess layers with Lloyd's."

"The plan by some brokers is to put the Lloyd's form over the Weavers form," agreed a Lloyd's broker.

"My guess is that \$10 million can be finished on the Weavers form," said another Lloyd's broker.

The disagreement over the two forms also is cutting liability capacity in the London market.

Generally, Weavers leads the first \$5 million layer and then supports Lloyd's underwriters, who generally lead layers above \$5 million and up to \$50 million. However, Weavers will not follow a Lloyd's claims-made form, says Peter Wilson, managing director of Weavers. And, Mr. Jackson says he will not follow on a layer led by a Weavers form.

"Capacity is restricted due to the claims-made forms," said John Sawkins, deputy chairman of Bain Dawes North America Ltd.

"We must get all minds to the table and decide on one form," he said. "That will take time, but it should be done in the first three months."

"We are still in a muddle over claims-made," said Brian Hibbert, chairman of Bowring Non-Marine Insurance Brokers Ltd. "Brokers are not completing excess layers."

Under a claims-made form, coverage is triggered when a claim is first made against the policyholder during the policy period.

Up until Jan. 1, most liability coverage was written on an occurrence form, under which the policy is in force when an injury occurs and must respond, regardless of when the claim is filed.

In the United States, the Insurance Services Office also has introduced a new claims-made form for primary liability coverage, but the use of that form has not yet been approved in all states.

However, that will not affect the implementation of the London claims-made excess liability forms.

Both the Lloyd's and Weavers forms state that the coverage provided is not subject to the terms and conditions of any other underlying insurance.

Instead, both forms force the policyholder to satisfy a self-insured retention, which may or may not be insured, before the excess coverage will kick in. In some cases, clients are securing their excess liability coverages before they have any primary liability insurance coverage, sources say.

"Whereas you used to put together the umbrella after the pri-

mary, now you put together the umbrella (or excess) first and see what you can get to suffice the primary," said one Lloyd's broker.

Overall, the Lloyd's form is more restrictive than the Weavers form, especially regarding coverage available for long-latent injury claims (BI, Nov. 25, 1985).

The Lloyd's form establishes two definitions for the term "accident" to separate long-latent injury claims that are not tied to an event or catastrophe that occurs at a specific time from claims stemming from events or catastrophes that can be tied to a specific time.

And, the different definitions result in different application of the self-insured retention. For long-latent claims, the policyholder is responsible for covering the retention for each claim before the excess

coverage is triggered.

In addition, the Lloyd's policy specifically excludes all coverage for punitive damages and pollution claims, two exclusions not contained in the Weavers form.

Weavers, however, plans to exclude most pollution coverage through a policy endorsement.

Lloyd's also requires that the underwriting proposal be a part of the new Lloyd's policy, which Weavers does not require.

The leading Lloyd's non-marine underwriters supporting the new claims-made form for North American risks include those at Merrett Syndicates, Janson Green Ltd. and the F.R. White Syndicate.

So far, there are about six firm orders on the new Lloyd's wording, says Mr. Jackson. About 100 policies have been written on the new

Weavers form, sources say.

"The claims-made form is going well," says Weavers' Mr. Wilson, who will not comment on the exact number of policies written on the new form. "We are getting a good response from clients, and some Lloyd's underwriters are supporting us."

But, sources say some buyers have decided to self-insure their excess liability coverage rather than accept the claims-made form.

"There is a groundswell toward self-insurance," said one Lloyd's broker. "There are only so many times people can be pushed. Claims-made this year is too quick a step."

Meanwhile, most London reinsurers are not demanding that all direct policies be written on a claims-made form by Jan. 1, but

rather are allowing ceding companies some flexibility in introducing claims-made policies this year.

Hady Wakefield, deputy chairman of C.T. Bowring Reinsurance Ltd., says there "has been a degree of responsibility in the marketplace" when it comes to reinsuring U.S. liability risks.

"Some established leads that the market felt were overreacting were replaced by new leads," he said, though he would not say who the new leads were.

"The (established) leads were strict on sunset clauses on reinsurance treaties, absolute pollution exclusions and claims-made," he said.

New leaders, however, are not as strict, said Mr. Wakefield. They stressed that cedants should move toward claims-made this year, but did not demand it for Jan. 1. ■

HIGH-TECH LOSSES

Absolutely Brilliant and Futuristic High-Tech Thinkers often ignore (or are unaware of) the old standbys of good loss prevention practices as they apply to the protection of property and profit. During the past few years, Industrial Risk Insurers has found a great amount of intellect and energy devoted to the acceleration of technological growth, but a lack of knowledge and control over the ordinary dangers of combustible contents, combustible construction, and special hazards. Let's examine a few examples in the semiconductor industry:

Research Laboratory. April 1983. Northeastern U.S.A. Cause: immersion heater in polypropylene tank. Sprinkler protection: none. Damage: immediate booth destroyed; entire cleanroom contaminated. Estimated loss: \$1.7 million. IRI Comment: this kind of loss is becoming as common as an old shoe. With immersion heaters and plastic tanks, it's not a question of whether a loss will happen, but **when**. The double trouble of this loss was the combination of the immersion heater in the plastic tank and a cleanroom which lacked sprinkler protection, yet was loaded with combustibles.

Fabrication and Testing Area. April 1981. West Coast U.S.A. Cause: silane gas released to fiberglass reinforced plastic duct; ignition followed. Sprinkler protection: complete above and below ceiling, but lacking within the duct. Damage: exhaust ductwork destroyed; damage to computer system, other equipment and stock. Estimated loss: \$1.6 million. IRI Comment: after the loss, it was determined that the nitrogen purge system was inadvertently shut off, permitting undiluted silane to contact air and ignite spontaneously. A critical omission in this incident was lack of sprinklers in the plastic duct, although a case could be made for using noncombustible duct in the first place.

Wafer Fabrication Section. February 1985. Western Europe. Cause: immersion heater in a plastic wet bench (sound familiar?). Sprinkler protection: complete, except for spaces above noncombustible, suspended ceilings. Damage: wet bench and exhaust hood damaged beyond repair; corrosive fumes caused serious damage to highly sensitive electronic and optical equipment. Estimated loss: \$5.4 million. IRI Comment: another classic case of **when**, which completely interrupted production for two weeks and partially interrupted it for 14 weeks more.

There Have Been Many Losses in the Semiconductor Industry, and there are still many more potential situations which are of great concern. Because of this, IRI studied the subject and established protection guidelines in an attempt to control losses in this industry. The results of this work are available in two forms: the 2nd Quarter 1982 issue of **The Sentinel**, our external house organ, which features a "Focus on Semiconductor Manufacturing"; and procedure manual section, P.11.1., titled "Guiding Principles for the Protection of Semiconductor Facilities". A complimentary copy of each is available from Mrs. P.A. Sasso, IRI, 85 Woodland Street, Hartford, Connecticut 06102 or call (203) 525-2601.

**Industrial
Risk
Insurers**

66,000 properties
insured worldwide

Have excess workman's comp markets dried up? Not at US&C!

- You can still depend on Underwriters Safety & Claims because we're specialists in writing Excess Workman's Compensation.
- Currently writing for several major companies, our experience is based on years of contact with the nation's top providers. We've also built a fine reputation for our quick response and knowledge of the product.
- Depend on US&C to keep your program flowing!

Call Gary Mongilutz
(502) 244-1343 Telex 204-111



Underwriters Safety & Claims, Inc.
Post Office Box 23790
Louisville, KY 40223

Mail-order prescription service available under all Aetna plans

A mail-order prescription service now is a standard component of group medical plans underwritten by Aetna Life & Casualty Co.

"Mail-order pharmaceuticals are already a cost-effective alternative for some employers insured by Aetna who have requested this option as a special part of their plans," said Gerhard R. Schade Jr., an assistant vp in Aetna's employee benefit division. "We're pleased to be able to offer the same option to employers and employees whose prescription drug coverage is part of their comprehensive or major medical plans."

The mail-order service available to Aetna policyholders is provided by Thrift Drug Co. of Pittsburgh. The program is administered by Pharmaceutical Group Services Inc. of Lewisburg, Pa.

For more information contact Judith Hyfield-Starr, Aetna Life & Casualty Co., 151 Farmington Ave., Hartford, Conn. 06156.

HMO directory

The Group Health Assn. of America has published an updated directory of health maintenance organizations, the agencies that regulate HMOs and the state groups that represent them.

The National Directory of HMOs contains state-by-state listings of more than 400 HMOs nationwide, including addresses and telephone numbers.

In addition, the expanded 1986 edition of the directory has several new listings, including:

- A separate listing of multistate HMO systems.
- A listing of state agencies that regulate HMOs and federal agencies dealing with prepaid health plans.
- A listing of state HMO associations. The associations provide information and assistance to consumers, employers and regulatory bodies.

The National Directory of HMOs is available for \$30

Claims-made form

Continued from page 2

"But outstanding questions remain about the scope, detail and speed of the information that insurers can be asked to reasonably provide. We're now evaluating the NAIC model (policy language) that would mandate how insurers provide loss information to their policyholders," Ms. Banfield said.

She added ISO hopes to find a solution that answers regulators' con-

cerns and is reasonable to insurers.

Regulators also are concerned about general use of the new form.

Mr. Washburn indicated he would be more inclined to approve the claims-made form for a particular line of business, such as municipal liability coverage, which has been difficult to obtain at a reasonable price in the current market.

The NAIC's concerns over the claims-made form is one of the reasons ISO withdrew its claims-made form in Ohio on Dec. 24.

Ohio Insurance Director George Fabe had asked ISO to voluntarily withdraw the policy form because it was deceptive and confusing to buyers. Only after the Ohio Insurance Department scheduled a public hearing for Jan. 9 did ISO withdraw the form, Mr. Fabe said.

"Our department is concerned about the confusion the claims-made CGL policy would cause consumers, especially small businessmen," Mr. Fabe said in a press release. "We have reviewed the policy and were well-prepared to expose its shortcomings at the hearing. I don't think ISO wanted that airing."

However, ISO says that since the Ohio insurance director shares the concerns raised by other regulators at the NAIC December meeting, it decided it would be better to withdraw the filing while it studies the NAIC model policy language.

ISO drastically revised its new claims-made CGL form in October

after much criticism from buyers, regulators and brokers (BI, Oct. 14, 1985). It had hoped the revised form would be approved for use by Jan. 1, but so far only 14 states have approved it.

After more criticism, ISO still further amended its form to make it easier for buyers to trigger the automatic five-year tail coverage provided under the revised claims-made form (BI, Dec. 23, Dec. 30, 1985).

And, ISO altered a proposed amendment to its form which would have included all defense costs within policy limits. Under the revised amendment, one-half of a policy's limits would be available for defense costs before additional defense costs would be charged against policy limits.

ISO's new CGL forms, both a claims-made and occurrence form, represent the first wholesale revision of the CGL form since 1966. CGL policies traditionally have been written on an occurrence basis, rather than a claims-made basis.

(Under an occurrence policy claims are covered if the event causing the loss occurred during the policy period, regardless of when the claim is made. ISO's proposed claims-made form would cover only those losses that arise after the retroactive date in the policy and for which claims are presented during the policy period.)

products & services

from the Group Health Assn. of America Inc., 624 Ninth St. N.W., Washington, D.C. 20001; 202-737-4311.

Health care program

Metropolitan Life Insurance Co. is offering its Met-Elect preferred provider organization to small employers.

The small-employer program, called Met 50 Plus, initially will be available in the Miami and Tulsa, Okla., areas but will expand nationally over the next 12 to 18 months.

Met-Elect services previously were available only to large customers in Miami, Tulsa, Chicago, Dallas, Los Angeles and San Francisco. "We recognize that small employers need a comprehensive cost management product such as Met-Elect that meets their specific needs," said Robert J. Boden, vp in charge of the Met 50 program.

Through both the Met-Elect and the Met 50 Plus programs, selected health care providers agree to provide services to specified employee groups at reduced rates or under special financing arrangements. In addition, the providers agree to accept thorough utilization reviews of the medical necessity of services they have provided (BI, July 22, 1985).

Employees and dependents who participate in the program will have their coinsurance requirement lowered by a minimum of 10% of eligible charges, according to Metropolitan Life.

For further information, contact Metropolitan Life Insurance Co., One Madison Ave., New York, N.Y. 10010; 212-578-2211.

F

Frenkel & Co., Inc.

Insurance Brokers

*A controlling interest in the company
has been acquired by its
employees' stock ownership trust*

Financing arranged and provided by the undersigned

Private Banking Division
Morgan Guaranty Trust Company of New York

insurance services guide

INDEPENDENT ACTUARIAL AND ENVIRONMENTAL CONSULTING

• Actuarial - Self-Insurance Feasibility Studies, Risk Financing Evaluations, Budget and Reserving Evaluations
• Environmental - Audits, Loss Control Studies, Superfund Site Health and Safety Evaluations
• Joint - Financial Evaluation of Environmental Liabilities
TILLER CONSULTING GROUP, INC.
5098 Goldenrod Ave. Corona del Mar, CA 92625 714 673-7089

ECONOMICAL • NATIONWIDE OVERNIGHT



MVR SERVICE
800-331-9175

For advertising information in the INSURANCE SERVICES GUIDE
Contact: Beverly Kluxdal, 740 Rush Street, Chicago, Illinois 60611.
Telephone (312) 649-5340

Reinsurance renewals

Continued from page 1
complete placements.

Brokers at TPF&C worked until 10 p.m. on Christmas Eve and on the Thursday and Friday after Christmas, Mr. Steffey reports.

"We are having to search harder than we have searched before," he said.

Reinsurance underwriters say they also are putting in long hours sifting through piles of submissions.

"I expect to have a number of phone conversations on New Year's Eve, as I did last year," Edward Jobe, executive vp of American Re-Insurance Co., said in a Dec. 30 interview.

"There's an awful lot of negotiating yet to take place," he said.

One result of all this work by reinsurers will be increased premiums for reduced exposure, Mr. Jobe suggested.

"We have terminated a number of accounts where we disagree with pricing or disagree with terms," he said, adding that American Re also terminated "a fair percentage of business a year ago."

The terminations are most common on "non-trading partner" business, which Mr. Jobe described as coming from insurers that are not American Re clients of long standing.

At the same time, American Re is getting substantial increases in premium on renewals of treaty and facultative programs. Mr. Jobe said he has seen increases of up to 10 times the expiring premium on new business that had been "terribly underpriced" by the previous reinsurer.

"We fully expect the pricing increases on treaties we renew will far outweigh the premiums we lose because of cancellations," Mr. Jobe said.

"We will be a smaller company in terms of exposure, but we will be a much bigger company in terms of premium volume."

On property/casualty facultative business, the number of American Re certificates in force has dropped by 25% since last year while written premium per certificate is up four times, according to Mr. Jobe. Written premium on casualty certificates alone is up six times, he added.

Brokers confirm that the upward spiral of reinsurance costs is continuing.

One TPF&C client will pay more than 40% more for its catastrophe reinsurance program this year, even though casualty risks have been excluded from the program, according to Mr. Steffey.

However, Mr. Steffey added that "a lot of catastrophe programs have been so competitively priced in the past (that) even with the increase, it's a reasonable buying decision for the client."

Mr. Steffey also said that some layers of catastrophe coverage renewals were more complete at Dec. 30 than he thought they would be, partly because new capacity has been found for certain layers in the pro-

grams.

The exclusion of casualty risks from catastrophe covers is only one example of the underwriting restrictions being imposed by reinsurers in the latest round of renewals.

Reinsurers and brokers report increasing use—mainly by London reinsurers—of the sunset clause in occurrence-based contracts. Such a clause gradually phases out coverage over a defined period—typically five years—after the contract's expiration.

American Re is using sunset clauses in a number of its renewals, according to Mr. Jobe, who acknowledges that the provision has met with some resistance from reinsurance buyers.

"There has been some reluctance, but most people recognize that after a period of five years, you have to be able to cut it off," he explained.

General Reinsurance Corp. is also using sunset clauses on a relatively small number of contracts—mainly for high excess workers compensation reinsurance—where Gen Re's own London retrocessionaires are demanding it, according to John C. Eting, president and chief executive officer.

Other coverage restrictions reported by brokers and underwriters include:

- Limits on the aggregate amount of indemnity offered under casualty reinsurance contracts.

For example, if a reinsurer provides coverage of \$1 million excess of \$1 million per occurrence, it might impose a separate aggregate limit of \$15 million.

While such aggregate limits have been imposed in the past, they are now becoming more common, sources say.

- An increasing inclination among reinsurers to charge additional premium for reinstatement of exhausted policy limits. Such reinstatement premiums have not been common in recent years.

- Exclusion of pollution exposures. The problem here, according to Intere's Mr. Gordon, is that many reinsurers have drafted their own pollution exclusions, leaving the broker with the time-consuming task of getting all the participating reinsurers to agree on how the exclusion should be worded.

"They know what they want to achieve, but they don't know how to achieve it," Mr. Gordon observed.

Along with these coverage limitations, London reinsurers have instituted "provisional billing" on catastrophe programs, demanding that deposit premiums for the first quarter or full year be paid on Jan. 1, even if the entire reinsurance placement is still incomplete, according to Mr. Gordon.

The new payment requirement is intended to correct the delay experienced last year by London underwriters, many of whom did not receive deposit premiums on Jan. 1 renewals until May, Mr. Gordon noted.

The ultimate problem for brokers, however, is finding enough capacity to complete reinsurance placements at all.

Brokers agree that while property reinsurance is still relatively easy to place, casualty business presents bigger problems.

"If the price is right, the property can be placed. Casualty is very, very difficult," said Thomas A. Greene, president and chief executive of Thomas A. Greene & Co. Inc. in New York.

"Casualty is turning out to be as much of a problem as we thought. Capacity at any price is hard to find in some situations," TPF&C's Mr. Steffey observed.

Among the most difficult casualty placements, brokers say, are quota-share umbrella liability treaties, medical malpractice and other professional liability coverages and directors and officers liability risks.

"D&O is almost impossible," Mr. Greene said.

In addition to the capacity lost because of reinsurer insolvencies, some casualty markets simply have withdrawn from writing the business, according to Mr. Gordon, who added that the key to completing casualty placements is getting the various reinsurers to agree on terms.

"It's a very undisciplined casualty market, and if people are going to provide capacity, they are going to do it on their own terms. No more, no less," he said.

Delays in the completion of many programs have resulted from this lack of consensus among reinsurers, Mr. Gordon said.

"You get 25% or 30% (of a placement completed) and run out of gas, and then have to go back and start over," he explained.

Reinsurers themselves place some of the blame for the delays on their own inability to line up retrocessional coverage.

In order to maintain the same gross line in some renewal business, American Re has had to line up special retrocessions, and retrocessionaires also have become reluctant to provide capacity in some cases, says Mr. Jobe.

"The line we put down may not be reduced, but those things are getting done more slowly," he noted.

The result, brokers and reinsurers agree, is that—like last year—many treaties will not be completed until later this month or possibly beyond that.

"I think a lot of treaties will not be completed until some time in the first quarter," Mr. Jobe predicted.

While many intermediaries say they've had to hustle to fill their clients' needs, some say they have had relatively few problems.

"I hate to say this, but we are not having a hell of a difficult time," Mr. Greene said.

"We got into the market earlier this year than we did last year on many of the renewals," he explained. "I think we were much more terrified of the market this year than last year."

Mr. Greene added that while some of his renewals were not completed until March last year, "we will have everything we can get done done by the end of January" this year.

Financial briefs

American International Group

American International Group Inc. has filed a \$150 million registration statement with the Securities and Exchange Commission for an offering of Exchangeable Money Market Preferred Stock.

The stock, which has a value of \$100,000 per share, was offered Dec. 19. The offering was rated AAA by Moody's Investors Service Inc.

Dividends on the stock will be reset periodically by a Dutch auction. The Money Market Preferred Stock is exchangeable into money market notes only at the option of New York-based AIG after a period of at least two years from the original issue.

If issued, the notes will have a five-year maturity and have an interest rate that will also be reset periodically by a Dutch auction.

The issue will be managed by Shearson Lehman Brothers Inc. and Goldman, Sachs & Co.

Lincoln National

Lincoln National Corp. has filed a registration statement with the Securities and Exchange Commission for the public offering of 3 million shares of the company's common stock.

The net proceeds to the Fort Wayne, Ind.-based Lincoln National from the sale may be temporarily invested in short-term securities, pending application of general corporate purposes, which may include investments in property/casualty and group life/health insurance operations.

The underwriters of the offering are The First Boston Corp. and Salomon Brothers Inc.

In addition, the dividend rate on Lincoln National's common stock will be 40 cents per share, effective with shareholders of record on Jan. 2. The company announced a 4-cent-per-share dividend increase last month.

British Issues						1 Week
31 Dec Companies	Price pence	P/E	Div. pence	Yield %	High	Low
Comml Union	230	N/M	16.9	7.3	230	227
Genl Accident	720	32.7	31.4	4.4	720	718
Gdn Royal Exch	720	62.6	38.6	5.4	720	717
Royal	798	49.9	35.0	4.4	798	787
Sun Alliance	520	86.7	23.6	4.5	520	520

Brokers						
	Price	P/E	Div.	Yield	High	Low
CE Heath	663	8.6	37.5	5.6	663	660
Hogg Robinson	276	11.5	13.4	4.9	276	274
JH Minet	245	11.1	11.4	4.7	245	242
Sedg Grp	357	14.3	17.8	5.0	357	350
Stew Wrightson	693	13.3	32.8	4.7	693	685
Willis Faber	803	20.6	23.6	2.9	805	787

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

January 1, 1986 12/25/85 thru 1/1/86

Brokers	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)
Alexander & Alexander Svcs	33.25	3.1	0.0	1.00	3.0	33.25	32.50	304.2
Baldwin & Lyons Inc	70.25	4.9	75.5	0.80	1.1	70.25	66.00	4.3
Corroon & Black Corp	60.25	9.5	81.6	1.00	1.7	60.25	55.38	122.6
Crumm & H Cos Inc	24.00	11.6	25.8	0.25	1.0	24.00	22.00	65.6
Emett & Chandler Cos Inc	18.25	0.0	31.5	0.00	0.0	18.25	17.75	9.0
Gallagher Arthur J & Co	48.25	-0.5	23.7	0.28	0.6	48.25	47.75	22.1
Hall Frank B & Co Inc	27.25	5.8	0.0	0.00	0.0	27.25	26.25	234.5
Marsh & McLennan Cos Inc	81.50	0.2	9.5	2.70	3.3	82.00	81.50	234.6
Poe & Assoc Inc	13.63	0.9	0.0	0.80	5.9	13.63	13.50	3.4
AGENTS/BROKERS	AVERAGE	153.1			1.8			

Conglomerates & Holding Cos.								
	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)
American Express(Fireman's Fd)	53.00	2.7	17.0	1.36	2.6	53.88	51.88	2,334.5
Anderson Clayton(Ranger/Panama)	55.50	-0.4	28.5	1.32	2.4	56.13	55.50	103.1
Araco Inc	9.38	1.4	0.0	0.00	0.0	9.38	9.13	604.4
Berkley W & Corp	34.50	8.7	107.8	0.32	0.9	34.50	32.25	52.4
CIGNA Corp	64.25	3.6	31.2	2.60	4.0	64.25	62.13	346.5
CNA Finl Corp (CNA)	84.50	1.4	20.2	0.00	0.0	84.50	83.50	78.1
General Re Corp	100.13	0.3	108.8	1.56	1.6	100.88	99.50	369.3
ITT (Hartford Group)	38.00	2.0	11.9	1.00	2.6	38.50	37.25	1,825.7
Sears Roebuck & Co. (Allstate)	39.00	3.7	10.9	1.76	4.5	39.00	37.75	1,414.4
Teledyne Inc (Argonaut)	330.38	7.4	7.2	0.00	0.0	336.00	319.00	263.7
Transamerica Corp	33.75	0.4	16.4	1.68	5.0	34.13	33.25	201.3
(Occidental & Fred S. James)								
CONGLOMERATES/HOLDING COS.	AVERAGE	12.7			1.4			

Insurers								
	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)
Aetna Life & Cas Co	53.50	3.6	20.1	2.64	4.9	53.50	51.75	966.4
American General Corp	34.88	4.9	10.6	1.00	2.9	35.25	33.25	1,444.8
Amerm Heritage Life Invst Co	42.50	5.6	12.2	1.20	2.8	42.50	40.63	7.8
American Intl Finl Corp	19.50	-3.7	0.0	1.12	5.7	20.25	19.50	36.4
American Indt Group Inc	106.00	1.0	26.4	0.44	4.4	106.00	104.75	262.4
Aneco Reins Ltd	0.75	0.0	0.0	0.00	0.0	0.75	0.75	5.0
Avemco Corp	37.00	3.9	14.7	0.60	1.6	37.00	35.38	13.4
Business Mens Assurn Co Amer	31.00	-1.6	8.7	1.04	3.4	31.00	30.75	9.0
Chubb Corp	54.88	6.0	19.9	1.56	2.8	54.88	51.50	88.8
Combined Intl Corp	51.75	1.5	9.4	2.16	4.2	51.75	50.75	72.8
Continental Corp	47.00	6.2	23.3	2.60	5.5	47.00	44.50	372.4
Crown Life Ins Co	270.00	6.8	16.3	0.00	0.0	270.00	252.75	0.4
Durham Corp	40.50	1.9	7.5	1.28	3.2	40.50	39.75	18.7
Farmers Group Inc	68.25	3.0	11.5	1.76	2.6	68.25	65.50	315.4
Fireman Fd Corp	30.88	-1.6	0.0	0.30	1.0	31.25	30.75	683.7
Fremont Gen Corp	24.38	2.1	2.4	0.48	2.0	24.38	23.75	146.8
Great West Life Assurn Co	490.00	0.0	12.6	1.60	0.3	490.00	490.00	0.0
Home Group Inc	24.50	1.6	0.0	0.00	0.0	24.88	24.13	445.6
Hanover Ins Co	51.50	0.0	53.6	0.56	1.1	51.50	51.25	29.5
Hartford Steam Boiler Insnptn	62.50	0.8	14.7	2.00	3.2	62.75	62.00	16.4
Kans City Life Ins	27.00	-2.7	10.6	0.87	3.2	28.00	27.00	7.9
Keener Corp	73.00	1.2	21.0	1.80	2.5	73.00	72.13	98.5
Liberty Corp S C	34.13	0.4	14.8	0.72	2.1	34.13	34.00	11.7
Lincoln Natl Corp Ind	50.13	0.5	11.8	2.00	4.0	50.25	49.88	186.3
Mission Ins Group Inc	2.75	0.0	0.0	0.00	0.0	0.00	0.00	0.0
Monumental Corp	34.75	-0.4	11.8	1.40	4.0	34.88	34.75	6.2
Nobel Ins Ltd	11.88	-1.0	15.6	0.25	2.1	12.00	11.50	10.2
Northwestern Natl Life Ins	24.13	2.1	6.3	0.80	3.3	24.50	23.75	295.1
Ohio Cas Corp	69.75	4.7	23.5	2.80	4.0	69.75	66.88	57.2
Old Rep Intl Corp	35.63	0.4	9.6	0.74	2.1	35.63	35.25	45.5
Orion Cap Corp	31.75	1.2	0.0	0.76	2.4	32.25	31.50	59.3
Progressive Corp	22.00	2.3	8.2	0.66	3.0	22.00	21.25	57.0
Provident Life & Acc Ins Co	26.38	0.5	7.1	0.76	2.9	26.50	26.38	147.3
St Paul Cos Inc	79.88	0.8	0.0	3.00	3.8	81.00	79.38	198.2
SAFECO Corp	46.38	2.8	16.4	1.60	3.5	46.38	45.38	306.6
Sri Corp	16.88	2.3	562.5	0.80	4.7	17.00	16.50	71.5
Seibels Bruce Group Inc	20.75	3.7	4.3	0.80	3.9	20.75	19.50	145.0
Statesman Group Inc	5.13	7.9	0.0	0.05	1.0	5.13	4.75	99.2
Tokio Marine & Fire Ins Co	224.50	1.9	42.3	1.05	0.5	224.50	219.25	1.2
Torchmark Corp	22.00	0.8	8.7	0.60	2.7	22.38	22.00	780.5
Travelers Corp	48.00	2.9	11.7	2.04	4.3	48.00	46.13	628.8
United Fire & Cas Co	32.50	1.6	15.2	1.20	3.7	32.50	32.00	0.8
United States Fid & Gty Co	39.00	2.6	0.0	2.20	5.6	39.63	39.00	430.1
uslife Corp	37.75	0.7	8.5	1.12	3.0	37.7		

Will your reinsurer lose its capacity?



Reinsurance is a long road into the future. When the road is flat, a reinsurer might be tempted to take on too much—and charge too little. But when the road gets steep—things can fall apart. So capacity is only as good as the security that binds it.

The moral is: Prepare for the hills ahead and live happily ever after.

**General
Re**

America's Largest Reinsurer

General Reinsurance Corporation, Financial Centre, Stamford, CT
Atlanta, Chicago, Columbus, Dallas, Des Moines, Hartford, Kansas City, Los Angeles, New York, Philadelphia, St. Paul, San Francisco, Seattle, Montreal and Toronto