

Business Insurance

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

© Entire contents copyright 1994 by Crain Communications Inc. All rights reserved.

Product tampering insurance may cover tainted cereal losses

MINNEAPOLIS—General Mills Inc. may tap product tampering insurance to offset some of the \$63 million to \$88 million charge it will take this year because it cannot send out about 50 million boxes of cereal tainted by a pesticide.

The company said last week that it would not ship boxes of Cheerios, Lucky Charms and other well-known cereals because they contained oats that an independent contractor had improperly treated with chlorpyrifos-ethyl, a pesticide not registered for oats.

Continued on next page

Health care reform hits the floor

New taxes likely; other provisions unclear

By JERRY GEISEL

WASHINGTON—Employers can expect new taxes, limits on reducing employee benefits and the elimination or severe cutback of flexible benefit programs under health care reform legislation to be taken up and likely passed by the House and Senate.

In addition, measures now being pieced together by House and Senate Democratic leaders for floor votes would take away self-insurance as a health care plan funding option for small employers.

The measures also are likely to

curb increases in federal funding for Medicare and Medicaid. That would further exacerbate cost-shifting as providers try to recoup

lost revenue from public programs by increasing charges for privately insured patients.

Other provisions likely to survive floor debate include proposals that would strip health insurers' limited immunity from federal anti-trust law and measures that

would limit insurers' and employers' ability to deny coverage to individuals with pre-existing medical conditions.

On the other hand, certain other provisions that would allow employers to dump most of their early retiree health care obligations onto the federal government are unlikely to win approval by the Senate or House because of their high cost and lack of broad support in Congress.

However, the fate of a slew of provisions like an employer mandate or taxing care benefits is currently too close to call.

Continued on page 21



Industry seeks employer voices to delete comp from reform bills

By MEG FLETCHER

WASHINGTON—A lobbying blitz is under way in the hopes of ending—once and for all—any support in Congress for altering the current workers compensation system as part of federal health care reform.

Washington trade groups representing insurers, brokers and agents earlier this month formed the "Strike Title X Coalition" to encourage sympathetic employers to air their views and hopefully steer lawmakers away from including any aspects of Title X of President Clinton's health care reform proposal in the upcoming floor debate.

"Employers are the key. They are the people really impacted by this. It's their bread and butter, their bottom lines," said a spokesman.

Continued on page 21

USAir fully insured in deadly crash



AP/Wide World photo

By MICHAEL SCHACHNER

CHARLOTTE, N.C.—USAir Group Inc. is fully insured for hull and liability losses from the July 2 crash of a DC-9 jetliner near Charlotte/Douglas International Airport that killed 37 people and injured more than 20 others.

Federal authorities late last week were still examining the wreckage of Flight 1016, USAir's third crash since 1991 involving fatalities. Investigators say that rough weather, specifically a wind shear, may have played a role in the crash.

In 1991, USAir was underinsured for the loss of a jetliner that crashed into another plane in Los

Angeles, killing 34 people. At renewals shortly before that crash, the airline had reduced the valuation on its fleet (BI, Feb. 11, 1991).

USAir currently has an \$850 million liability program led by Associated Aviation Underwriters of Short Hills, N.J., which has 30% of the coverage. United States Aircraft Insurance Group Inc. of New York wrote 25% of the coverage.

In filings with the U.S. Department of Transportation, the Arlington, Va.-based airline disclosed that the remaining insurers on its liability program from Feb. 1, 1994, to Feb. 1, 1995, are:

- La Reunion Aeriennne in Paris,

Continued on page 23

Merrett's plans clear, backing not

By ADRIAN LADBURY

LONDON—Stephen Merrett is planning a big comeback.

Months after lack of support from members agents forced him to cease underwriting at Lloyd's of London, the chairman of Merrett Holdings P.L.C. is circulating plans for a new underwriting operation to be based in London.

In a recent letter to leading London brokers, he solicits advice and outlines his proposal in general terms—including a starting date of Jan. 1—but does not say where he will obtain the capital for such a venture.

Mr. Merrett would neither confirm nor deny any details in the letter, a copy of which was read to *Business Insurance*. Merrett Holdings Chief Executive Alan Cleary was unavailable for comment.

Mr. Merrett's new company would concentrate on casualty business underwritten on "a form generally compatible" with those used by Bermuda excess liability facilities ACE Ltd. and X.L. Insurance Co. Ltd., Mr. Merrett wrote.

The Merrett syndicates had been the lead for a slip, also based on the ACE and X.L. wordings, dubbed BES, which was formed in March 1990 by Bowring Worldwide Insurance Brokers. Bowring has since found alternative backing in the European market.

But Mr. Merrett appears to also want to expand beyond casualty business. In the letter, he asks brokers for comment and advice on which types of business they believe would be served by new capacity and a lead position.

The letter says that the "pro-

Continued on page 22

Investigators examine the wreckage in Charlotte, N.C.

New data could reshape health plans

By CHRISTINE WOOLSEY

Large-scale opinion surveys are giving employers new insights into what workers value in health plans and how current plans could be modified to improve employee satisfaction.

The results of the first such survey defied conventional wisdom by indicating that workers are more satisfied with care received through HMOs than with care through indemnity plans.

More importantly, data from that recent survey and other similar projects now in the works will for first time give employers statistically valid information on how well health plans are operating.

Xerox Corp., GTE Corp. and Digital Equipment Corp., the three firms that spearheaded the recent survey, now know which types of health plans are meeting employee—and employer—expectations for cost and quality, as well as what specific areas are ripe for

quality improvement.

They also now have objective evidence that their aggressive national strategies to move more employees into HMOs are working.

While this group is the first consortium of employers to survey such a large group of employees and health plans, it certainly will not be the last. Companies in four other cities—Atlanta, Chicago, Detroit and New York—already are considering similar evaluations.

Indeed, several federal health care reform proposals call for the development of health plan report cards, so consumers can make more prudent buying decisions.

But these private-sector studies are yet another example of how rapidly the health care marketplace is evolving, even without federal legislation. In fact, benefit managers at many large companies now say they hope the federal government keeps its nose out of their business.

"The big concern about reform is

that whatever comes out will not take advantage of or build on changes in the marketplace already occurring, but will grind us to a halt or even set us back," said Alan Peres, manager of benefits planning at Ameritech Corp.

"I think business can get an aw-

ful lot done on its own. We don't need government involvement," said Dennis Nirtaut, manager of employee benefits at Continental Bank Corp.

Ameritech, Continental and 52 other companies belong to the

Continued on page 12

Satisfied customers

Employees are happier with the overall care delivered by HMOs than indemnity or point-of-service plans.

Percent of employees somewhat, very or completely satisfied with plan

Group practice HMO

86%

IPA model HMO

85%

Point-of-service plan

76%

Indemnity plan

74%

Sources: NEMC The Health Institute

GRAPHIC BY KIM ROME

Updates

General Mills tampering cover

Continued from previous page
by the Environmental Protection Agency.

General Mills has product tampering insurance, "but we're only now looking into whether we will use it," said a spokesman.

He said the company will most likely take legal action "in due time" against Y. George Roggy and his grain treatment firm, Fumicon Inc. of Edina, Minn., for allegedly deliberately concealing the fact that the contractor had used an unapproved pesticide.

Mr. Roggy could not be reached for comment.

\$1.1 billion cat toll in quarter

RAHWAY, N.J.—Catastrophes caused an estimated \$1.08 billion in insured property damage between April and June, says the Property Claim Services division of the American Insurance Services Group.

Among the 10 second-quarter catastrophes, the most costly was a system of tornadoes and thunderstorms that hit 12 states in April, causing \$750 million in insured property damage (BI, May 2).

Total catastrophic insured property losses for the first half of this year are now estimated at \$8.56 billion, making this the costliest first half since PCS began tracking the figure more than 40 years ago. Much of that total is from the Los Angeles earthquake (BI, Jan. 24).

Superfund concerns discussed

WASHINGTON—A group of insurance industry officials who met with Treasury Secretary Lloyd Bentsen to discuss Superfund reform came away with a promise the administration will continue listening but little more.

"I won't say that he indicated any change in his position—he didn't. But he certainly wanted to hear our concerns," said Jack Ramirez, executive vp of the National Assn. of Independent Insurers.

The officials had requested the meeting with Mr. Bentsen to reiterate their opposition to joint and several liability, which remains part of the administration's reform proposal (BI, May 16).

Also attending the meeting were: representatives of the Alliance of American Insurers, the National Assn. of Mutual Insurance Cos. and individual companies, including American International Group Chairman Maurice R. Greenberg.

Only the American Insurance Assn. has endorsed the Clinton plan.

Lloyd's may close '93 sooner

LONDON—Lloyd's of London is examining whether to close its 1993 and 1992 underwriting years at the same time.

Chairman David Rowland said last week he thought the move would be "unlikely," but the final decision has not been made yet. If this happened, it would be the first time Lloyd's had closed an underwriting account after two years rather than three years.

An alternative would be for Lloyd's to inform members what 1993 results are likely to be when 1992 is closed, he suggested.

Meanwhile, Lloyd's has set up a task force to look at the market's current distribution system, Mr. Rowland said at an Assn. of Lloyd's Members meeting. This task force, led by Brandon Gough, retired senior partner for Coopers & Lybrand, will examine the role of the Lloyd's brokerage, which currently is the only intermediary allowed to submit commercial business to the market.

Also last week, Lloyd's announced that Bob Hewes, director of regulatory services, will become finance director of the Corporation of Lloyd's. He will succeed Stephen Hall, who is retiring.

North Carolina comp reform

RALEIGH, N.C.—A sweeping new workers compensation reform law allows North Carolina employers to use managed care.

The compromise version of S.B. 906, which passed the House of Representatives on a 113-0 vote July 1, also permits employers to require prior approval for surgery and hospital stays. The law reimposes a statute of limitations of two years from the last wage or medical payment for a worker to apply for additional compensation.

Injured workers will be allowed a "trial" return to work for up to nine months without losing the right to compensation. Under current law, employees who return to work and then suffer a worsening of their injuries must reapply for benefits.

In addition, the state Industrial Commission, which decides workers comp disputes, is granted power to set a schedule for maximum medical fees for workers comp-related treatment.

A previous version of S.B. 906 won state Senate approval during last year's regular legislative session but was not referred to the full House because it was considered too favorable to businesses at the expense of injured workers.

The reform package is the first major overhaul of North Carolina's workers comp system since it was created in 1929.

MetLife rating under review

NEW YORK—Metropolitan Life Insurance Co. is downplaying A.M. Best Co.'s review of its A++ rating, claiming the company's financial strength is "as strong as ever."

The Oldwick, N.J.-based rating agency placed MetLife's superior rating under review last week, citing concerns over the impact of recent regulatory scrutiny regarding improper sales tactics by agents, fines paid by the company and negative publicity.

A MetLife spokesman acknowledged that allegations of impropriety and negative publicity "have been an impediment to our sales, but we view all of this as short-term concerns. We still have some \$8 billion in capital. Financially, we're as strong as ever."

Updates continued on page 22

Changes to Vermont law may aid in accreditation

By RODD ZOLKOS

MONTPELIER, Vt.—Vermont officials and others in the state's captive insurance industry hope changes in state laws will resolve the state's accreditation battle with the National Assn. of Insurance Commissioners.

The state has been denied accreditation because its laws didn't conform to the NAIC's model law for regulating risk retention groups.

Key to its accreditation hopes is

a new rule that managing general agents and reinsurance intermediaries doing business with Vermont-domiciled risk retention groups be licensed by the state.

"We really did try to come to a middle," said Leonard D. Crouse, Vermont's director of captive insurance. "I think we made a concerted effort here to try to make some changes where we could come in compliance with NAIC guidelines. The major piece of this was the MGA section that requires licensing with the depart-

ment of service providers who both underwrite and deal with claims handling."

Under the new law, the state can deny a managing general agent's license to anyone the insurance commissioner deems "not competent or trustworthy." The law also authorizes the commissioner to examine the books of managing general agents or their affiliates and, after a hearing, to revoke or suspend the license of anyone determined to have vio-

Continued on page 22

Employee leasing maze

Firm's clients named in fraud suit filed by comp insurers

By DAVE LENCKUS

INDIANAPOLIS—An Indiana businessman's maze of employee leasing firms has helped about two dozen companies with trucking operations fraudulently obtain cheap workers compensation insurance from a half dozen insurers for years, the insurers and a rating agency charge.

In an amended complaint filed June 7 in state Superior Court in Indianapolis, the plaintiffs seek

\$15 million of either inadequate or unpaid premiums from a total of 47 defendants consisting of employee leasing firms, individuals and interstate motor carriers.

The motor carriers, which the plaintiffs say knowingly participated in the alleged scam, include Tootsie Roll Industries Inc. of Chicago and Ryder Dedicated Logistics, a unit of truck rental firm Ryder Systems Inc. of Miami.

In the alleged scheme, the motor carriers transferred their employ-

ees from around the country to the Indiana-based employee leasing firms. The firms then obtained workers comp insurance largely through Indiana's assigned risk plan for some of the workers, regardless of where they lived or operated their trucks, and then leased all of the workers back to the motor carriers.

But, Indiana rates—which historically have been among the nation's lowest—did not adequately

Continued on page 9

U.S. liable for cleanup cost

PHILADELPHIA—The federal government is liable for contributing to the cleanup costs of a Superfund site fouled during World War II, the 3rd U.S. Circuit Court of Appeals has ruled.

The court upheld a 1992 district court ruling that the government may be held jointly and severally liable for cleanup costs if it was the "owner or operator" of the site during the time pollutants were released (BI, March 2, 1992).

Chicago-based FMC Corp. sued the government after the company admitted some liability for cleaning up a Front Royal, Va., site

once under the control of the War Production Board.

The plant was used to make high-tenacity rayon yarn during the war. FMC bought the plant from American Viscose Corp. in 1963 and sold it to another firm in 1976. The plant closed in 1989.

In upholding the lower court's decision, the appeals court noted the government's contention that the lower court decision presented it with a liability that "far outpaces anything Congress could have imagined, much less intended" if other courts held it liable in similar cases. In fact, the

FMC case alone could cost the government between \$26 million and \$78 million in cleanup costs.

But the appeals court held that if the decision meant that the liability could be applied in other cases, "that circumstance cannot influence our result as we cannot amend (the Superfund law) by judicial fiat."

The court added that "our result simply places a cost of the war on the United States and thus on society as a whole, a result which is neither untoward nor inconsistent with the policy" of Superfund.

—By Mark A. Hofmann

Deadlines nearing for directories

The deadline to submit listings to *Business Insurance* for two upcoming information system directories is approaching.

The annual directory of risk management information systems will be published on Aug. 1, along with a Spotlight report on trends in risk management strategies and systems.

If your company develops and sells software directly to corporations in response to their risk management information needs you are eligible to be included in this directory.

The second annual directory of interactive employee benefit communications systems will be published on Aug. 15. This issue will also contain

a Spotlight report on communicating benefits to employees.

To be included in the directory, your organization must develop and sell interactive systems directly to corporate entities for the purpose of assisting in communicating benefits to their employees.

If your organization is eligible to be listed in either of these important industry reports and you have not yet received a directory questionnaire, please call Directory Editor Kathy Welyki at 312-649-5279.

The extended deadline to return questionnaires for either of these directories is July 18.

Inside

• New Jersey will gradually eliminate the contributions it makes to the state employee retirement system. **PAGE 6**

• Risk managers' battles for a favorable workers compensation market are not over, one of this week's editorials says. **PAGE 8**

• Western oil companies forced to abandon operations in Yemen after the outbreak of civil war are expected to post losses, but the companies are keeping quiet. **PAGE 17**

Departments

Advertiser Index.....20
A.R.M. Exercises.....16
Benefit Beat.....6

Classifieds.....18
Comings & Goings: Buyers.....19
Comings & Goings: Industry.....20
Insurance Services Guide.....19
International.....17
Legal Briefs.....16
Letters.....8
Opinions.....8
Perspectives.....16

Vol. 28, No. 28—*Business Insurance* (ISSN 0007-6864) is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement No. 0293512, GST No. 136760444. Printed in U.S.A. Postmaster: Send address changes to *Business Insurance*, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207-3185; 800-678-9595 or 313-446-1611. Copyright 1994 by Crain Communications Inc.

III chief says information is key to industry image

By MARK A. HOFMANN

NEW YORK—Gordon Stewart admits he's had to revise his communication philosophy since becoming president of the Insurance Information Institute in 1991.

Mr. Stewart, a former White House speech writer, previously thought that a centralized operation was the best way to spread information. Now, he says, "I have come to reverse that completely. It's an intensively local

Gordon Stewart says his thinking on communications has evolved.

business."

Mr. Stewart makes clear, however, that decentralizing the spread of information about property/casualty insurance doesn't mean that insurers should go it alone. Only an information effort supported by the industry as a whole will be truly effective, he says.

"What an individual company does will not improve the general view of insurance," he says. "But if a company does bad things, it will spill over and it will lower the public's view of insurance as a whole... no matter how much

good a company does, it will not raise the view of the whole," he says.

Many insurer executives were questioning how effective the III was at promoting the industry's viewpoint when Mr. Stewart joined the New York-based public relations and research organization in early 1991. Big-name members were dropping out almost weekly (*BI*, April 1, 1991).

Although individual companies said publicly that they were leaving for budget reasons, industry public relations professionals complained privately that the or-

ganization had strayed far from its primary purpose of acting as a media insurance resource.

They cited a multimillion national image-building campaign launched in 1989 as an example of what the III was doing wrong. That campaign, initially designed to last up to five years, was scaled back quickly to the point of invisibility after the public responded to it with nothing stronger than a collective yawn.

Meanwhile, the III's budget had ballooned as well, reaching as high as \$13.3 million in 1991.

Continued on page 10



Photo by John Maguire

P/C shares relatively flat, but outperforming market

By JUDY GREENWALD

Rising interest rates plus general disillusionment with the property/casualty market's prospects for a market turn are hitting insurer stocks hard.

The stocks enjoyed a brief boost in spring, amidst temporary stability in the bond market as well as speculation that a turn in the market was imminent because General Reinsurance Corp. announced an increase in its casualty facultative business (*BI*, May 23).

However, with the bond market once again jittery and no further confirmation of firmer pricing, insurance company stocks have turned in a relatively lackluster performance in recent weeks. Still, they are doing somewhat better than the overall market.

"I would say over the last few months a combination of significant catastrophe losses coupled with increased retentions, which translates into higher earnings volatility, is one reason that's probably caused the performance," said Michael A. Lewis, first vp with Dean Witter Reynolds in New York.

"A higher interest rate environment, with its higher inflation component, is another reason, and the continued lack of evidence of any improvement in the domestic property/casualty pricing environment," also are to blame, Mr. Lewis said.

Early last year, with interest rates still low, insurer stocks outperformed the market

by a wide margin. They headed downward in February 1993 but rebounded with reports that inflation had subsided (*BI*, July 26, 1993). Later in the year, however, flattening interest rates, impatience over the delayed market turn and portfolio managers seeking to lock in gains all hurt the stocks (*BI*, Dec. 13, 1993).

Then, earlier this year, insurer stocks were also hit by the same turmoil that affected the general stock market (*BI*, April 11).

Now, the market has essentially wound up back where it was in April, said Gary Ransom, senior vp with Conning & Co. in Hartford, Conn. "A lot of them had a nice rise" but, "we ended up sort of taking a round trip this last couple of months," he said.

Investors are avoiding the stocks, say analysts. Institutions have decided to either avoid the group or sell the insurer stocks they already have because of "the lack of positive fundamentals and the possibility that higher interest rates could impact stock performance further," said David Seifer, vp with Donaldson, Lufkin & Jenrette Securities Corp. in New York.

"I think there's an underlying frustration at the lack of any visible sign of change in the cycle," said Myron Picoult, managing director and senior insurance analyst at Oppenheimer & Co. in New York. "I think investors have become increasingly frus-

Continued on page 15

HMO stock seen as good bet, despite lower pricing outlook

By JUDY GREENWALD

Leveling health maintenance organization premiums, so welcome to benefit managers, are proving a bane to investors in managed care stocks.

Through the first quarter, a group of eight HMO stocks tracked by *Business Insurance* was up 18.8% compared with year end, and in early June that group was up more than 19.3% on the year. But by July 1, the size of that increase had fallen to 11.2%.

The primary reason: premium increases that have fallen to a comparatively low range of 2% to 6% (*BI*, June 27).

"The pricing is perceived as becoming more negative," said Kim Purvis, an analyst with Donaldson, Lufkin & Jenrette Inc. in New York. "It doesn't mean that prices are being slashed, but it means that premium increases for next year are shrinking down to the zero to 2% range for most markets."

"Pricing flexibility has been a big contributor to their earnings for the past four years" and if this tightens, it means HMOs will have to rely just on enrollment to generate profitability, which is "only half the equation that we've seen," said Ms. Purvis.

Clifford Hewitt, an analyst with Sanford Bernstein & Co. in New York, also cited increased competition as a factor. HMO stocks "haven't been performing well in the last few weeks, and that probably reflects a certain nervousness about their ability to maintain their margins, as well as uncertainty about the health legislation in Washington."

On top of that, the general stock market "has been unfavorable to everybody," he added.

Robert Mains, an analyst with First Albany Securities in Albany, N.Y., agreed, but said the market is also "getting jittery about the prospects of reform coming from Washington as well as a more competitive market coming."

However, Ellie Kearns, analyst with Alex. Brown & Sons in Boston, said while the stocks have "had some dips and turns with the market," that has "nothing to do with the stocks in particular" but reflects the overall market. "In general, I think they've been doing well."

One analyst says that the future of HMO stocks is mixed.

"On the one hand, people are very worried about the pricing," said Ms. Purvis of DLJ.

"On the other hand, the earnings outlook at least over the next couple of months is very positive," she said, noting that HMOs are expected to report good second-quarter results in coming weeks.

It is difficult to say whether the stock market's focus will be "on current earnings or the prospect of reduced earnings in the future," she said.

Other analysts are more optimistic.

The outlook "remains very strong," said Mr. Mains.

It is "difficult to see how (health care) reform won't keep enrollment strong for at least two to three years and prospects of

Continued on page 15



Workers comp costs focus of conference

By SAMEERA KHAN

SAN DIEGO—New techniques for controlling workers comp health care costs and the challenges posed to them by health care reform are among the topics that will be analyzed at the Second Annual *Business Insurance* Workers Compensation Conference.

The conference, presented by *Business Insurance* and International Business Forum, will be held Oct. 19-21 at Loews Coronado Bay Hotel in San Diego.

More than two dozen speakers will discuss how companies can effectively manage workers comp programs, including how to deal with contested claims and rising disability costs. Innovative financing methods to fund workers comp, streamlining the claims audit process and benchmarking are among

other topics to be discussed.

"Controlling the cost of workers compensation is a top priority for most employers," commented Kathryn J. McIntyre, chairman of the conference and vp, publisher and editorial director of *BI*.

"We are presenting this conference to provide our readers with vital information and networking opportunities that will help them in their continuing efforts to reduce workers compensation claims and their costs."

The conference opens Oct. 19 with an evening reception hosted by Commonwealth Risk Services Inc. On Oct. 20, sessions commence with opening remarks by Ms. McIntyre, who will then moderate a panel discussion on "New Initiatives for Controlling Workers Compensation Health Care Costs."

Continued on page 19

THE SECOND ANNUAL

Business Insurance

WORKERS COMPENSATION CONFERENCE



AP/Wide World photo

Millions in insured property up in flames

By JUDY GREENWALD

The volatile combination of heat, wind and dry brush that sparked raging brush fires across 12 Western states last week and took the lives of 13 Colorado firefighters has so far caused at least \$7 million in insured losses.

Included among the damage are 11 destroyed buildings at Colorado State University's Pingree Park Mountain campus and conference center, nestled in the Rocky Mountains west of Fort Collins.

The fire caused an estimated \$3 million to \$4 million in damage,

said Bob Sturtevant, fire duty officer at the Colorado State Forest Service. The buildings are insured, according to a college administrator.

Several homes and other structures have been destroyed elsewhere in Colorado as well as in

Continued on next page

Fires

Continued from previous page
California, with one of the California fires causing an estimated \$4.2 million in damage.

At one point last week, 31 major fires engulfing 160,000 acres were raging across the Western states.

By Friday, fire authorities reported making substantial progress.

"We are down to 16 (major) fires in five Western states: Colorado, Arizona, New Mexico, Nevada and Texas," said a spokesman for National Interagency Fire Center in Boise, Idaho.

A total of 34,000 acres were on fire, with more than 6,000 firefighters fighting the blazes.

Meanwhile, fires in seven other Western states, Washington, Oregon, California, Utah, Idaho, Montana and Wyoming were no longer a major problem.

One worrisome factor: Temperatures were expected to be in the 100s over the weekend. That danger should be eased somewhat, though, by forecasted moderate winds and only isolated thunderstorms, said the spokesman, who noted that most forest and range fires are started by lightning.

The rest of the summer still

looms, however. "All we can say right now, conditions are critically hot and dry so the potential is there for a serious fire season," said the spokesman.

The spokesman noted so far this year 40,575 fires have burned 1.32 million acres. At this time last year, there had been just 29,575 fires encompassing 820,585 acres and much of this acreage included fires in Alaska.

Last year's cool and wet spring and summer, which spurred the growth of brush and grass, was followed by a dry winter and spring, the spokesman said. This created extra fuel, so fires are "easy to start and easy to spread." Furthermore, almost a decade of drought has created a lot of "stressed" timber, which is more susceptible to being killed by insect infestation and disease, thus presenting an additional fire hazard.

However, the insured property damage from this year's fires is less than the California fires last year. "There has been property damage, but it's been minimal. It's not like last year's fire in California," said Stefan Puc, claims consultant with the Property Claims Service division of the American Insurance Services Group.

The division has not declared

any of the fires, which are considered separate events, a catastrophe. To be classified as a catastrophe, a fire would have to generate about 1,000 insured claims and \$5 million in damage.

As of Friday, only one Colorado claim had been received by an insurer, according to a spokeswoman for the Western Insurance

'There has been property damage, but it's been minimal. It's not like last year,' says Stefan Puc.

Information Service in Englewood, Colo.

In Glenwood Falls, a fire that had encompassed only 50 acres Wednesday morning was whipped up by strong winds to engulf 2,500 acres later that day, causing the deaths of 13 firefighters, with one still missing. Although a shopping mall and a housing development were threatened, the danger had passed by Friday.

Many Colorado fire fighters were demobilized by Friday, although they were being held at

least through the weekend because of the potentially dangerous weather conditions, said fire duty officer Phil Hoefer.

In California, a fire near Palm Springs that engulfed 19,900 acres was contained by Friday, said a spokesman for the U.S. Forest Service. The fire destroyed 12 homes, five mobile homes and an outbuilding, while five homes were damaged, with an estimated loss of \$4.2 million.

Another fire near Lake Arrowhead in San Bernardino County, Calif., which engulfed 11,000 acres, was also contained. It destroyed one trailer, two unknown structures and two vehicles. Both fires were started by a lightning strike.

In Colorado, in addition to the Pingree Park campus, three properties near Paonia were destroyed, according to the Colorado State Forest Service.

The Pingree Park Mountain campus fire was sparked by a bolt of lightning at about 2 a.m. on July 1, said Patrick Rastall, the

campus' associate director. Fire crews were in the process of containing the small fire when severe winds blew up, which is "fairly common at 9,000 feet in the Colorado Rockies," he said.

"The wind picked up and just fueled the fire and it just took off," quickly transforming the small fire into a "raging inferno," said Mr. Rastall. "It came over the ridge top and dropped on our campus."

Among the buildings destroyed were a dormitory, three rustic faculty cabins and a new staff cabin that had been finished only 10 days before the fire hit.

Six living units around the campus' conference center were also destroyed, while the lodge building along with a sewage treatment plant were both extensively damaged, Mr. Rastall said.

Although 120 people had to be evacuated, nobody was hurt, he said. Mr. Rastall said the buildings were insured, though he was unable to provide coverage details. **BI**

Rising Georgia floodwater lifts insured damage toll

By MARK A. HOFMANN and SARA MARLEY

ATLANTA—Surging flood waters in Georgia have caused millions of dollars in insured damage, and the uninsured damage toll is expected to be even greater.

Only about 2,500 policies issued through the National Flood Insurance Program are in force in the flooded areas, said William Davis, executive director of the Georgia Insurance Information Service. Most of the 31,000 policies issued in the state protect businesses and homes along Georgia's short coast line, he said.

Meanwhile, the Property Claim Services division of the American Insurance Services Group declared the flooding a catastrophe, meaning it has caused at least \$5 million in insured property damage. No damage estimates were available.

No individual insurer contacted by *Business Insurance* was able to provide loss estimates Friday.

The floods came in the wake of Tropical Storm Alberto, which caused four days of heavy rain in Georgia after it passed over the Florida panhandle earlier in the week.

Mr. Davis said that the total commercial and personal property value in the flood area has been estimated at \$200 million. State officials say that damages could exceed \$100 million.

The hardest hit area was Bibb County in the central part of the state. Mr. Davis noted that only 58 flood policies are currently in force in the county, which includes Macon, the state's fourth largest city. In Sumter County, about 70 miles to the southwest of Macon, only four policies were in force. The floods destroyed 57 structures in Sumter County and an additional 87 were reportedly damaged.

The floods are blamed for at least 20 deaths in Georgia.

Gov. Zell Miller declared 41 counties in central and southern Georgia disaster areas and President Clinton authorized federal aid for four counties.

The flooding has damaged at least 20% of the peanut crop in Georgia and Alabama, costing farmers \$150 million, according to the Peanut Advisory Board, an Atlanta-based trade group.

About two-thirds of U.S. peanut farmers carry crop insurance, said Mitch Head, the board's executive director.

Although the damaged crops in the Southeast represent about 10% of the overall U.S. peanut crop, domestic peanut prices and supply are not likely to be affected because of a large surplus produced annually for export and crushing for oil.

The heavy rains came on top of an already wet summer. Georgia's Peanut Belt, stretching from Albany to Savannah, received twice the normal amount of rainfall in June and one month's average rainfall in just three days last week, Mr. Head said.

The Bibb Co., a textile manufacturer in Macon, Ga., was forced to shut down headquarters and two plants for two days last week because the power was shut off in a nearby flooded substation, said Frank Sheehan, vp-industrial relations.

Although the firm is located within 200 yards of a river, it did not sustain any physical damage and does not have business interruption coverage to respond to the lost production, he said.

A skeleton crew returned on Friday but headquarters still had no water. Mr. Sheehan was unsure when it would be restored.

The company tried to obtain portable toilets, but found them in short supply.

"We might have to find a tree out back," he said. "I feel a little sorry for the ladies."

The biggest problem, however, is transportation.

"We had to close two plants because you just couldn't get to them," Mr. Sheehan said. "All the roads were closed and washed out."

Roads were being restored by the end of last week and some crews were returning to the plants, he said.

Transportation woes also stymied West Point-Pepperell Inc., a manufacturer of consumer apparel and household goods in West Point, Ga., on the Alabama border. Although located outside the flood zone, the company's trucks had difficulty getting through, particularly in northern Florida and along I-75 in central Georgia, said Foy Fisher, vp-human resources. **BI**

A BRIEF MESSAGE ABOUT INSURANCE PLACEMENTS FOR



- Security Guards,
- Patrol Services,
- Detective Agencies,
- Armored Car Service,
- Alarm Monitoring and
- Alarm Installation

For more than a decade CoverX Corporation has continuously provided a stable insurance product for the Security Industry. During that time many companies and agencies professing to "specialize" in this industry have come and gone. In today's difficult insurance marketplace most are simply gone. COVERX CORPORATION IS STILL HERE, providing that industry with custom tailored GENERAL LIABILITY AND PROFESSIONAL LIABILITY.

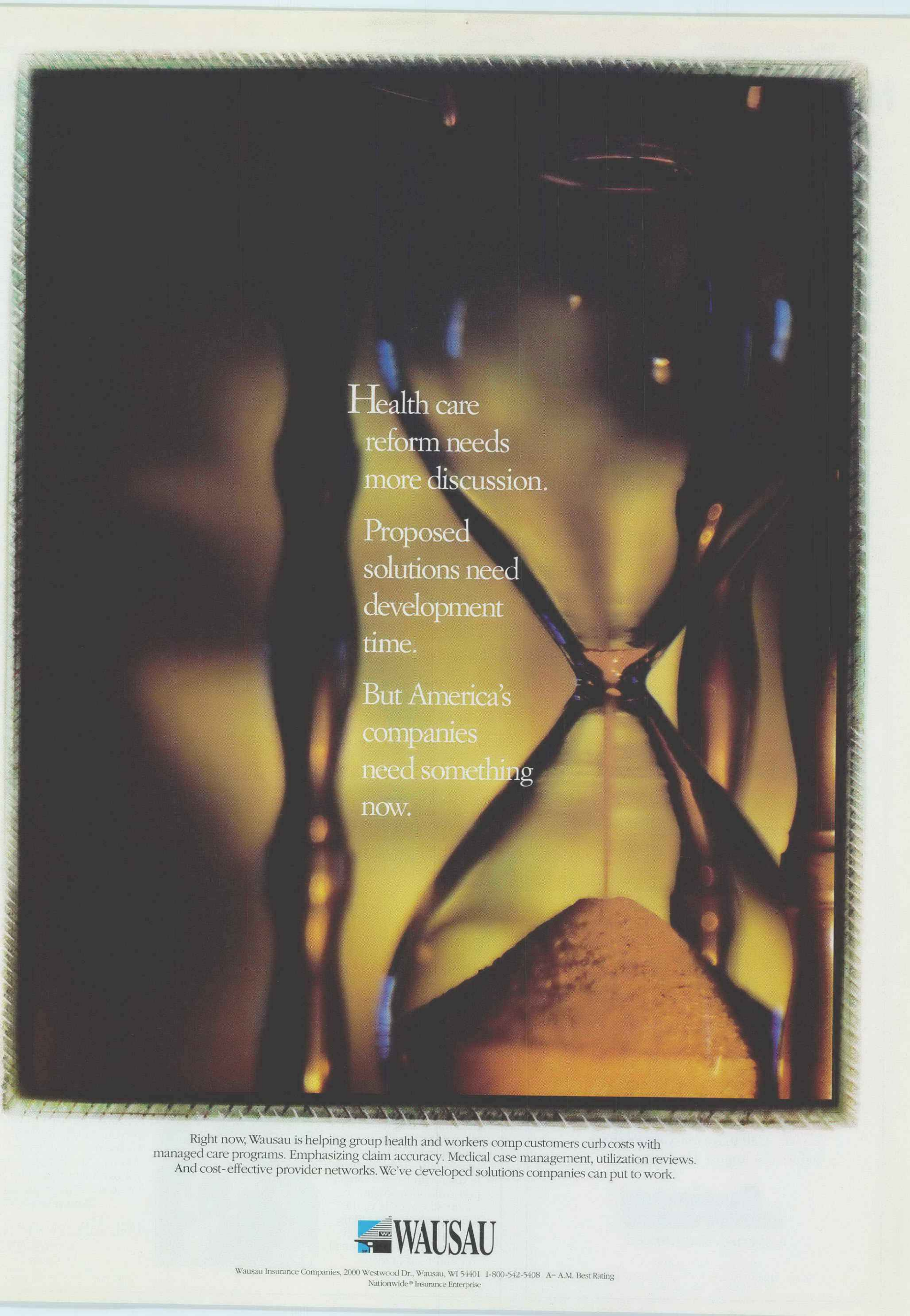
If you have current or potential clients in the security industry whose long range interests lie in obtaining a quality insurance product in a stable market then you owe them a CoverX quotation.



For further information or applications call or write . . .

COVERX CORPORATION

P.O. Box 5096, Southfield, Michigan 48086
Telephone: (313) 358-4010
Facsimile: (313) 358-2459



Health care
reform needs
more discussion.

Proposed
solutions need
development
time.

But America's
companies
need something
now.

Right now, Wausau is helping group health and workers comp customers curb costs with managed care programs. Emphasizing claim accuracy. Medical case management, utilization reviews. And cost-effective provider networks. We've developed solutions companies can put to work.



Wausau Insurance Companies, 2000 Westwood Dr., Wausau, WI 54401 1-800-542-5408 A- A.M. Best Rating
Nationwide® Insurance Enterprise

New Jersey cuts retiree health, pension funds

TRENTON, N.J.—The \$15.28 billion budget recently adopted by the New Jersey Legislature will gradually eliminate state contributions to the state employee retirement system and will reduce the prefunding of retiree health benefits.

The budget would gradually eliminate the \$1.3 billion that the state now contributes annually to the \$36 billion pension system.

This system covers 300,000 public workers, including state, county, municipal and school employees, according to the New Jersey Education Assn., the union for 144,000 current and retired teachers and staff.

The budget, the first by Gov. Christine Whitman, calls for an employee contribution of 5% of base salary, to be phased in over three years. Workers have paid between 3% and 7% of salary.

The budget will also phase out over three years the current 2% of salary contribution that the state makes.

For one year, beginning July 1, there will be no increase in the contributions made by current employees, though all new employees hired July 1, 1994, or after will pay the 5% flat rate. Younger employees will thus pay more while older employees will pay

Benefit Beat

slightly less.

On the retiree health issue, Gov. Whitman advocated eliminating entirely prefunding of retiree health benefits and reverting to pay-as-you-go funding.

Instead, the Legislature opted to reduce prefunding. Now New Jersey will set aside less money and maintain a separate fund to cover one year's health insurance premiums for retirees, which the Legislature estimated would total \$140 million.

The fund will increase at half of 1% of payroll annually. If the fund has insufficient assets to pay the premium, the state will have to pay the balance directly.

Unions oppose the changes, arguing that the reduced state funding will threaten the solvency of the state pension system.

"As passed, the budget means that most state workers will be contributing more to their pensions and thus receiving less take-home salaries," said a spokesman for the education association.

"The future stability of the state pension system is in jeopardy as these changes will defer substan-

tial costs to the future," the spokesman said.

In response, a spokesman for Gov. Whitman said the state pension system is stable and will remain so. "We are merely making bookkeeping and actuarial changes and this does not threaten the system in any way, as the unions claim," he said.

—By Sameera Khan

Onsite schoolroom

ORLANDO, Fla.—One of Central Florida's largest employers and the Osceola County Public School District are teaming up to open the county's first public school on the premises of a private business.

Reedy Creek Academy, as the school will be known, is scheduled to open this fall at McLane Suneast Grocery Distribution Inc.'s Orlando facility. The school, which will accommodate as many as 45 children from kindergarten through second grade, will be a satellite of Reedy Creek Elementary, which is located a few miles away.

McLane Suneast hopes the school will decrease employee absenteeism and improve general employee comfort and morale by allowing working parents to remain closer to their children during the day.

The school most likely will be staffed by two certified full-time public school teachers and an aide or two, said Mary Cantrell, director of technical and adult education with Osceola's public school system.

As part of the project, McLane Suneast, which employs 600 people at its Orlando site, is taking on the responsibility of setting up the satellite school, which will consist of two portable classrooms and a third small building that will function as a lunchroom and a space for other programs. The cost could approach \$60,000, said Lourdes Martinez, human resources coordinator with McLane Suneast.

Ms. Cantrell and Ms. Martinez said the school is being modeled after successful worksite programs at major employers in Pinellas County, in which the cities of Tampa and St. Petersburg are located.

"Partnerships like this have been done a bit here in Florida with great success. Pinellas County has about five of them, and before that, the concept began in Dade County," Ms. Cantrell said.

In the Tampa/St. Petersburg area, General Electric Co., Honeywell Inc. and Bayfront Medical Center all have opened on-site public schools for the children of their employees within the past four years, said Ms. Cantrell.

"This program benefits the school district, which is struggling to provide enough schooling space to keep up with rapid population growth in the Orlando area, the employees and the companies," she said.

"In Orlando space and money are tight. We can either build more classrooms, go to split schedules that leave kids in school all year, or seek alternatives, like businesses providing the extra classrooms," according to Ms. Cantrell.

The McLane Suneast program is being designed for younger school-age kids because their curriculum doesn't include many advanced teaching materials required by older students, she said.

In addition to providing a regular school day for McLane Suneast's children, Osceola County's school system also will provide before- and after-school care for the children.

The fee for such a service, which is available at all schools throughout the county system, is \$35 per week for one child and \$32 for each additional child, Ms. Cantrell said. Parents can also enroll their children in just a before-school program or just the after-school program for a reduced cost.

—By Michael Schachner

GE labor pact

FAIRFIELD, Conn.—Some benefits will be enhanced and higher copayments and limited managed care introduced under a new three-year labor contract between General Electric Co. and about 50,000 members of 15 unions.

The deal, reached June 26, improves health care and pension benefits for employees and retirees, but also increases active employees' medical copayments and establishes managed care networks for vision and pharmacy benefits.

The contract between negotiators for Fairfield, Conn.-based GE and the labor unions' Coordinated Bargaining Committee for GE, Martin Marietta Corp. and Westinghouse Electric Corp., is expected to be used as a model for the implementation of new labor agreements for union workers at

Martin Marietta and Westinghouse. Those negotiations are expected to begin later this summer.

Under the new contract with GE, which affects approximately 30,000 members of the IUE, 5,600 members of the United Electrical Radio and Machine Workers and about 15,000 other individuals belonging to 13 other unions, retirees appear to be the biggest winners.

Effective July 1, minimum pension benefits for GE retirees will be calculated on a schedule ranging from \$24 to \$34 per month per year of service, up from a range of \$21 to \$29 per month. Guaranteed pension benefits will also be calculated on the basis of a retiree's highest three consecutive years of salary, rather than the highest five-year average.

Retirees are also securing an improved prescription drug plan, which pays 100% of all costs above a \$15 deductible for 21-day supplies, and 100% of all costs above a \$20 deductible for a 90-day supply. The expired drug plan required retirees to pay all but \$8 of a prescription's costs.

The contract also revamps the company's early retirement plan, which previously required employees to be at least 55 years of age and have 25 years of service to get full health and pension benefits.

Under the new plan, the service requirement has been reduced to 15 years for full life and health insurance coverage, while employees with 10 to 14 years of service will have to pay a portion of the cost of health and life insurance benefits.

For active employees, GE did extract some concessions from the unions. For example, copayments for surgery, standard medical services and drugs are increasing to 20% above deductibles from 15%, and employees will now have to pay a \$100 copayment for all non-emergency hospital admissions occurring after Jan. 1.

The contract also calls for the creation of new preferred provider networks for the provision of both dental and vision benefits.

A GE spokesman said the contract enhances preventive coverage, networks and catastrophic coverage. Indeed, the plan calls for the lifetime maximum on health benefits to increase to \$1.2 million from \$1 million.

The pact provides wage increase totaling 8.5% plus cost of living adjustments.

—By Michael Schachner

August 22

a red letter day
for readers of
Business Insurance

WARD'S RESULTS

BI's August 22 issue will report on the internationally recognized Ward's 50 benchmarks for both Life/Health and Property/Casualty insurers.

Corporate buyers of commercial insurance and employee benefits, plus thousands of agents, brokers, reinsurers, and state insurance departments rely on Ward's Results to supplement their financial analysis of U.S.-domiciled insurers.

And now, they'll also rely on BI for the first to report on the results from Ward's 1994 editions.

As an insurer, there's no better time, and certainly no better place, to reinforce your strengths to BI's nearly 146,000* readers. Call to reserve your ad space before the August 10 closing.

Business Insurance
Coverage Guaranteed

New York: 212-210-0133

Chicago: 312-649-5276 • Los Angeles: 213-651-3710

*Includes pass-along readership.

Want "specialty" insurance with a personal touch?

Talk to the Brownyards.

The personal approach the Brownyards have taken toward their security guard coverages for nearly 40 years is also being applied to their country club and pest control coverages.

In all three areas, the Brownyards are providing steady, dependable coverage year after year—through soft and hard markets.



Put the Brownyard personal approach to work for you. Talk to Brendan or Bryan—for security guard, country club and pest control coverages that you can count on. **Talk to the Brownyards.**

THE BROWNYARD GROUP

21 Maple Avenue, CN9175
Bay Shore, New York 11706-9175
In NY: (516) 666-5050 FAX: (516) 666-5723

(800) 645-5820

Opinions

Work comp battles not over

AFTER YEARS of staggering losses and steep rate hikes, workers compensation insurance appears to be returning to a more even keel.

But that doesn't mean risk managers can relax.

To maintain more favorable rates, risk managers need to remain vigilant in their efforts to improve workplace safety and reduce losses. There are still plenty of costly occupational hazards that must be addressed in the workplace, such as carpal tunnel syndrome, poor indoor air quality and ever-nagging back injuries.

Risk managers also must continue to press for state workers comp reforms, which are largely responsible for the improving conditions in the market.

As reported last week, insurers at midyear renewals regard workers compensation as one of the few bright spots in an otherwise lackluster market (*BI*, July 4).

Workers compensation insurers posted an estimated combined ratio of 109.5% for 1993, down from 121.5% a year earlier. That was one of the largest one-year drops ever for this line of insurance (*BI*, May 2). State residual markets in the past year have seen comparable improvement in their combined ratios.

In some states, workers comp insurers are actually filing for rate decreases, while in others rate hikes are now in the low single-digit range.

What seems like only a few months ago, workers comp insurers were battling for sharply higher rate increases or, in some states, bailing out of troubled workers comp markets altogether after regulators resisted rate hikes. Risk managers complained loudly and fled in droves to alternative means of financing their comp exposures.

If there was a benefit to the workers comp "crisis," it was that it galvanized employers to remedy problems in the market, address soaring losses and fight for reforms of state workers comp laws. In fact, employer-driven reform efforts that eradicated system inefficiencies and targeted outright fraud are a big reason for the current turnaround in the market.

However, as successful as these efforts have been in calming a troubled market, we believe there is still much that can be done.

There are plenty of state workers comp systems in need of reform. Risk managers must continue to press for legislative reforms that combat fraud, limit abuse of the system and improve worker safety, among other goals.

They should also make sure employer interests are adequately represented on state panels of workers comp judges, some of which are heavy with labor interests. It's important to keep an eye on those appointed to these positions to ensure fair adjudication of claims.

Risk managers also must continue efforts to hold down workers comp medical costs through innovative applications of managed care principles.

And, they should be wary of current proposals to



merge workers comp medical benefits with a reformed health care delivery system. Although we have supported proposals to "integrate" the two systems, which could reduce employers' medical costs, we continue to oppose any broad merger of the two systems that would dilute the current system of rewarding safe employers with lower premiums.

Risk managers deserve a pat on the back for their integral contributions to an improved workers comp market, but there is still much to be done.

Cost not only factor in lack of coverage

ALL PUBLIC policymakers engaged in the health care reform debate should take note of a study that indicates without an employer mandate, small companies are unlikely to offer health care coverage.

That means employers that do offer health care plans will continue to pick up the check for the uninsured, whether by extending coverage to employees' spouses or through cost shifting from providers.

The University of Michigan study found that many small employers do not offer coverage because they are not interested in doing so—not, as widely thought, simply because it is unaffordable (*BI*, July 4).

Nearly 80% of small employers that do not want to offer a health plan said that the availability of coverage for their employees from other sources was very or somewhat important factor behind their decision.

Health care reforms that attempt to make coverage more affordable may not be enough to solve the problem of the uninsured.

What steps, other than punitive ones, will Willis Corroon take to win back those accounts?

These are the analytical steps that Willis Corroon management should undertake rather than employ the litigation option.

And, incidentally, what about the rights of the policyholder to do business with the broker/agent of its choice? Restrictive employment covenants in the insurance industry ignore those whose existence is the very reason that we are here in the first place!

Robert P. Whitten

President

Insurance Personnel Recruiters Inc.
Boston

Letters

Willis Corroon suit not the answer to problems

To the editor: I am writing in regard to the lawsuit filed by Willis Corroon Group P.L.C. that alleges that the mass defection of its construction unit to Rollins Hudig

Hall Group Inc. resulted in a loss of clients, key employees, current and future revenues and the disruption of its operations (*BI*, June 27).

These allegations sound remarkably similar to defense strategies employed throughout the criminal court system today: "The resultant misdeed was forced upon me by some circumstance beyond my control—the devil made me do it!"

Nice try, folks, but what did Willis Corroon do to foster employee loyalty following the merger that created the current brokerage? What steps should Willis have taken to cement client relations to its newly merged entity before they decided to place their business with its competitor?

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. 60611-2590.

Business Insurance®

Reporting weekly for corporate risk, employee benefit and financial executives

Vice president/
Publisher/Editorial Director: Kathryn J. McIntyre, A.R.M. (Chicago)

Editor: Paul D. Winston (Chicago)

Editor-at-Large: Jerry Geisel (Washington)

Managing Editor: Timothy Stanton (Chicago)

International Editor: Stacy Shapiro (London)

Senior Editors: Dave Lenkus (Chicago)

Douglas McLeod (New York)

Assistant Managing Editors: Jeanne M. Bartels (Chicago)

Roseanne White (Chicago)

Christine Woolsey (Chicago)

Bureau Chiefs: Michael Schachner (New York)

Joanne Wojcik (Los Angeles)

Copy Editors: Regis J. Coccia (Chicago)

Sara J. Harty (Chicago)

Associate Editors: Deborah Shalowitz Cowans (Chicago)

Meg Fletcher, A.R.M. (Chicago)

Judy Greenwald (San Jose)

Mark A. Hofmann (Washington)

Adrian Ladbury (London)

Sara Marley (Chicago)

Sally Roberts (Chicago)

Gavin Souler (New York)

Rodd Zalkos (Chicago)

Directory Editor: Kathy Welyki (Chicago)

Associate Directory Editor: Kerry A. Dziubek (Chicago)

Editorial Assistant: Ovie Dent (Chicago)

Assistant to the Publisher: Karen Brown (Chicago)

Editorial Cartoonist: Roger Schillerstrom (Chicago)

Advertising Director: Martin J. Ross III (New York)

Eastern Advertising Manager: Stephen P. Lincoln (New York)

Midwest Advertising Manager: Robert L. Niesse (Chicago)

District Managers: Cynthia Bykowski (New York)

Blake Delany (New York)

Barrie Harmelin (New York)

Charles A. Horvath (New York)

Deborah D. Neale (Chicago)

Sales Assistant: Lori Lieberman (Los Angeles)

Classified Advertising Manager: Lisa Mazzetti (Chicago)

Production Manager: Elmer Kerstowski (Chicago)

Director of Communications: Ronnie I. Drachman (New York)

EDITORIAL: Chicago: 312-649-5398

London: 71-608-1172

Los Angeles: 213-651-3710

New York: 212-210-0100

San Jose: 408-379-1790

Washington: 202-662-7200

ADVERTISING: New York: 212-210-0228

Chicago: 312-649-5276

Los Angeles: 213-651-3710

COMMUNICATIONS: New York: 212-210-0132

SUBSCRIPTIONS: Detroit: 800-678-9595

Published by Crain Communications, Inc., Chicago

Founder: G.D. Crain Jr. (1885-1973)

Chairman: Mrs. G.D. Crain

Vice chairman: Keith Crain

President: Rance Crain

Chairman-executive committee: S.R. Bernstein (1907-1993)

Treasurer: Mary Kay Crain

Secretary: Merrilee P. Crain

Executive Vice president-operations: William A. Morrow

Vice president-circulation: William Strong

Vice president-production: Robert C. Adams

Published weekly at 740 N. Rush St., Chicago, Ill. 60611-2590, Telex 6871241, Fax 312/280-3174, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017-5806, Fax 212/210-0704, CRAIN COM NYK; 1 Northpark, East Suite 114, 8950 N. Central Expressway, Dallas, Texas, 75231-6415, Fax 214/696-1936; Suite 814, National Press Building, Washington, D.C. 20045-1801, Fax 202/638-3155; 6500 Wilshire Blvd., Suite 2300 Los Angeles, Calif. 90048-4947, Fax 213/655-8157; 540 Latimer Circle, Campbell, Calif. 95008, Fax 408/379-3257; Cowcross Court, 2nd Floor, 75-77 Cowcross St., London EC1M 6BP, England, Fax 71/608/1173. \$4 a copy. \$80 a year in U.S. \$126 in Canada (includes GST). First-class mail subscriptions in U.S. \$175, in Canada \$198 (includes GST). All other countries \$200/yr (includes expedited air delivery). DAVE KELLEY, circulation manager. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207-3185, or phone 800-678-9595 or 313-446-0450, Fax 313/446-6777. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48103. Microfilm 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: JOSEPH P. HANLEY, Crain News Service, 220 E. 42nd St., New York, N.Y. 10017-5806. 212-254-0890. For reprints or reprint permission contact: KAREN BROWN, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, 312-649-5319, Fax 312/280-3174.

TO SUBSCRIBE TO THE WORLD'S LEADING
COMMERCIAL INSURANCE PUBLICATION, CALL
800-678-9595
313-446-0450 outside of the U.S.

BPA
INTERNATIONAL

ABP

Leasing

Continued from page 2

reflect the workers comp benefit risks the insurers faced for drivers who operated trucks in other states, the plaintiffs charge.

The leasing firms also obtained coverage fraudulently from the assigned risk plans in Illinois, Michigan, Georgia and North Carolina, the suit charges.

In addition, the leasing firms' insurance applications listed only a "few truck drivers and a minimal amount of payroll," but the firms were leasing out more than 4,000 truck drivers with a payroll of hundreds of millions of dollars, the suit says. And, the leasing firms paid only a small portion of the premiums they owed on nearly every policy they obtained, the suit says.

To cover his leasing firms' premium payment history, their true payroll and their employees' poor experience, defendant Eugene Crucean concealed his involvement in the firms from insurers by using other individuals as fronts on the insurance applications, the suit alleges.

He also often transferred the employees at his leasing firms that faced coverage cancellation to newly created leasing companies, though at least one of those firms was never staffed. That maneuver, which the new firms' insurers did not know about, resulted in lower experience modification factors for the same group of employees, the suit charges.

Attorneys for Mr. Crucean, whom the insurers say is an owner, officer or controlling party of the 12 employee leasing firms named in the suit, are still trying to plow through the 177-page amended complaint.

But defense attorney Steven Ullrich says that the employee leasing arrangements that triggered the litigation are no different than the common business practice of incorporating a business in a state, especially Delaware, even though the business has few or no operations there.

Mr. Ullrich, who is with Dutton Overman Goldstein Pinkus in Indianapolis, said he believes the National Council on Compensation Insurance, also a plaintiff in the case, opposes employee leasing operations per se.

"The comment is totally without foundation," said Terrence Delehanty, a senior counsel for the NCCI, a Boca Raton, Fla.-based ratemaking agency.

Besides the NCCI, the suit was filed by Aetna Casualty & Surety Co.; Casualty Insurance Co.; Commercial Union Insurance Co.; Liberty Mutual Insurance Co.; The Travelers Indemnity Co. of Illinois; and United States Fidelity & Guaranty Co.

The leasing companies named in the suit are Labor Resources Inc., Labor Systems Inc., W.T.S.I. Inc., LSI Inc., LR Inc., Labor Resources of Georgia Inc., Staff Support Services Inc., Mammoth Personnel Leasing Inc., American Benefit & Personnel Service Inc., Professional Employer Services Ltd., Logistic Support Staffing Ltd. and Transportation Management Services Inc.

The suit also names four other companies that it says Mr. Crucean controlled and to which he funneled insurance premiums and other fees he collected from his leasing firms' clients: Fubar Leasing Services Inc., Beast Karts Inc., The Payroll Store Inc. and Training Consultants Inc.

In addition, the suit names four other officers of the leasing companies and 26 motor carriers.

The insurers originally filed suit in December 1992, naming only two of Mr. Crucean's leasing companies and eight or nine motor carriers, said plaintiffs attorney Linda L. Pence of Indianapolis.

"At that point, we didn't know the scope and size of the fraud," first detected by Aetna, because the defendants refused to open their books to the insurers, she said. Only after discovery began last year did the insurers uncover the extent of the alleged fraud, she said.

The suit claims the alleged scheme began in 1985 when Mr. Crucean formed Labor Resources.

In 1988, when Liberty Mutual indicated it would be increasing Labor Resources's experience modification factor to seven times the average factor, Mr. Crucean formed Labor Systems. A fronting individual then applied to the Indiana Assigned Risk Plan for coverage for the new business, which Aetna wrote, the suit says.

Thereafter, Mr. Crucean created many more leasing companies—each time receiving a new experience modification factor for the same

group of employees—to keep insurers at bay, the suit charges.

Mr. Crucean also used several other ploys to conceal the alleged fraud, the suit charges. For example, the leasing firms used their own funds to pay small workers comp claims so they could keep their claims experience as low as possible.

In addition, Mr. Crucean and his staff on at least one occasion attempted to dupe insurance auditors into believing that a new leasing operation actually conducted business by assigning a worker to a previously unstaffed office. The worker crumpled up paper, set out facial tissue boxes and placed files on desks to make the office appear to be a genuine operation, the suit charges.

The motor carriers were not innocently caught up in the alleged scam, the insurers say. They "purposely and intentionally realized substantial benefits" from it, says the suit, which

outlines several reasons the motor carriers should have known the leasing arrangements were duplicitous.

For example, federal and Indiana laws require motor carriers that operate Interstate Commerce Commission-licensed vehicles to maintain complete control over all employees, including leased workers, the suit says. Therefore, contract provisions with the leasing companies that were designed to insulate the motor carriers from that obligation are void, the suit says.

And, employees who were lifelong residents of states other than Indiana were insured in Indiana and received benefits under Indiana law, which often were less generous than those available in the workers' home states. Employees who appealed the lower benefits often were granted the benefits available in their home states, the suit says.

Tootsie Roll is unaware of any im-

proprieties that Mr. Crucean's firms may have committed, said Ellen R. Gordon, president and chief operating officer of the candy manufacturer. "When we let a bid out, it's assumed the contractor has complied with the law."

Ryder's attorneys are conducting an internal investigation into the allegations and would not comment, a spokesman said.

Mike Thill, chief of the criminal division for the U.S. Attorney's Office for the Northern District of Indiana in Dyer, would not comment about whether the office is investigating Mr. Crucean or his companies on criminal charges. The office has not indicted Mr. Crucean previously.

National Council on Compensation Insurance Inc. et al. vs. Labor Resources Inc. et al., Marion County Superior Court, No. 4907 9212 CP1246.

MANAGE DENTAL CARE PLANS

If You Wonder Why Most Managed Dental Care Plans Aren't Flexible, Just Look At How They're Written

At Ameritas, managed dental care products are well written, not written in stone. Since no two companies are the same, no two dental plans need be the same either. Every aspect of our managed dental care plan can be tailored to fit your specific needs. In short, Ameritas managed dental care products reduce costs, not options.

Even our provider list is flexible. Our panel is made up of dentists who

sign contracts directly with Ameritas, so if we don't have a dentist in your area, just ask. We are continually establishing and expanding panels to meet the needs of our clients.

In addition to flexibility, our products incorporate several value-added benefits such as customer surveys, profiles, utilization management and on-site provider visits. Plus, we provide the exceptional service essential to a successful managed dental care

product. On the average, we process claims in just five days and provide one-stop shopping for employees, employers, producers and dentists.

To find out more about how we can customize a managed dental care plan for you, contact your producer or call us at 1-800-776-9446.

AMERITAS
LIFE INSURANCE CORP.

Strong On Service

Ameritas is rated A+ (Superior) by A.M. Best, A+ (Excellent) for claims-paying ability by Standard and Poor's, and A+ (Excellent) by Weiss Research, Inc., all independent insurance company evaluators. © 1993 Ameritas and the pylon symbol are registered trademarks of Ameritas Life Insurance Corp.

THE MMO GROUP

PROVIDING D.I.C. AND WIND RELATED COVERAGES
FOR REGIONAL ACCOUNTS ON A SURPLUS LINES BASIS
WITH AN A+ CARRIER

CALL OUR PROPERTY DEPARTMENT IN YOUR REGION

WEST COAST (415) 421-8972
MIDWEST (312) 368-1120
EAST COAST (212) 551-0600

Are Conseco Inc. and Kemper Merging? Well, Yes and No.

Conseco Inc. and Kemper Corporation have signed a definitive merger agreement. Because Kemper Corporation is a former affiliate, some questions may exist about whether Kemper National Insurance Companies is involved. Whatever the outcome, we want all of our friends, associates, clients and others in the business world to know that *Kemper National is not involved.*

Yes

- Conseco Inc. and Kemper Corporation have announced plans to merge. The plans are subject to various approvals and other conditions.
- Kemper Corporation's business is primarily asset management, securities brokerage, and life insurance.
- Kemper Corporation is a stock company, publicly traded, responsible to shareholders.

No

- Kemper National Insurance Companies is a separate entity and is not involved in the merger agreement.
- We're the 13th largest property/casualty insurance group in the country with 1993 sales of \$3.2 billion. And we're also leading the way in reinsurance and risk management services.
- We're a mutual insurance organization working through independent agents and brokers and responsible to our policyholders.

Both Kemper entities use the name Kemper but in different lines of business and in different markets. It's the Kemper National Insurance Companies that uses the Kemper Cavalry to symbolize protection and responsiveness to customer needs. And for 27 years, Kemper National has been proud to bring you the best in PGA TOUR golf by sponsoring the Kemper Open.

For more information, or if you have any further questions, please contact your independent agent or broker who represents the Kemper National Insurance Companies or call us at 1-800-833-0355.

Follow the Leader



Stewart

Continued from page 3

One of the first promises Mr. Stewart made as he prepared to assume the III's presidency was that the budget would be scaled down (*BI*, May 6, 1991).

In meeting with insurer executives, Mr. Stewart found "universal consensus" that the III's job should be "to improve public understanding of the business, particularly through the media."

The industry needed "an organization that works full time to give out objective, timely and accurate information on the widest possible range of insurance subjects," he said.

"We try to take our general agenda from what the public cares about," he added.

Initially, Mr. Stewart wanted to centrally control the flow of information via the III. But he soon found out that insurance companies are often involved in state and regional associations rather than national organizations. He also found that state insurance news services were operating across the country.

There are currently about 30 such groups in place, and the III's goal is to have one in each state, he said. Mr. Stewart noted that there is wide variation among the services provided by the organizations. Some deal strictly with property/casualty issues, others are multiline in orientation. Some are even involved in lobbying. He said that III holds monthly conference calls with all of the groups to examine current issues.

He stressed, however, that "we have no imperial designs" on the state information networks and the III will continue to work with individual groups rather than try to bring them under a common umbrella.

In fact, until less than three years ago, the III operated its own network of regional offices. But these were closed down in late 1991 as the III cut its staff of 73 by about one-third and cut its budget down to \$9.4 million from the \$13.3 million level (*BI*, Nov. 4, 1991). The III currently has offices only in New York and Washington. It has affiliated offices on the West Coast through the Western Insurance Information Service and in Texas, as well as independent representatives in Atlanta and the Kansas City, Mo., area.

The III has about 50 employees, counting affiliates, and a budget of \$7.5 million.

"Our budget is stable and I expect it's going to stay there. I'm using all additional money to lower dues," he said.

It also has a slightly larger membership. The St. Paul Cos. Inc. has rejoined and several other insurance companies have become members for the first time, including Hanover Insurance Co.

"We rejoined the Insurance Information Institute because we had determined that it had redirected itself toward its primary mission and effectively reorganized its operations," said Douglas W. Leatherdale, St. Paul's chairman, president and chief executive officer.

"The institute's mission is to improve understanding of insurance through public information. It is now better focused on that goal. It also has effectively reorganized operations by cutting costs and hiring talented staff. These were among the reasons that led us to conclude that III is now better equipped to forcefully provide clear and accurate information to the media—and the public—about

the insurance industry," Mr. Leatherdale said.

To broaden its base further and to get the most out of its limited resources, the III is encouraging non-members to join with it on specific projects.

Mr. Stewart points to the Miami-based Hurricane Insurance Information Center established in the wake of Hurricane Andrew as a particularly successful example of this approach. The center helped burnish the industry's image as insurers struggled with the impact of the single costliest catastrophe in U.S. history.

"The hurricane response did more to drop the negatives than any other single thing because it was the most visible story about insurance for a year to a year-and-a-half," said Mr. Stewart.

People take their impression of insurance from a couple of major stories each year. If a story involves a battle to raise rates, insurers won't improve the public's negative impressions, he said.

"But if the dominant story is people in the insurance industry helping folks, this filters out," said Mr. Stewart. He said if the industry's response to floods, fires and earthquakes is the same as its hurricane response, insurers' image will further improve. He stressed, however, that the entire industry must be involved—a handful of companies or associations can't lift the whole industry's standing with the public.

In addition to encouraging industrywide efforts such as the hurricane center, the III is making contact with people in the media. The general press has few insurance specialists among its reporters and suffers from high employee turnover, Mr. Stewart noted. He emphasized that this contact program involves ongoing work, not one-time visits.

"It's like painting a bridge. By the time you've gotten to the other end of the bridge, the part you started on a year and a half ago has begun to rust. So you have to go back and do it again and again and again," he said.

To reinforce the message, the III has printed roughly 1,000 copies of its "Handbook for Reporters," which discusses insurance issues and defines insurance terms.

"We're trying to make it as hard as possible to get something wrong," he said. "We don't get attacked when people get it right."

The III deals with reporters working on more than a dozen stories a day, dealing from pet insurance to the use of derivative financial instruments, he said. III representatives appear on television programs ranging from local broadcasts to national cable networks like CNN and CNBC.

"But you have to do it retail—there's no wholesale system" to carry out such projects, said Mr. Stewart. He said that he hopes the network of state organizations will help with this effort over the next three to five years.

Television's key role in the III's future plans centers on direct access to individual stations. "Local news is now way ahead of network news as a source of information," said Mr. Stewart. The chief problem with this outreach program is that the individual stations have no connection with each other. "There's no way you can push a button in New York and get to all of them," he said.

To overcome this hurdle, the III is considering something along the lines of an "Insurance Minute," which would consist of a series of consumer-oriented spots constructed so local station re-

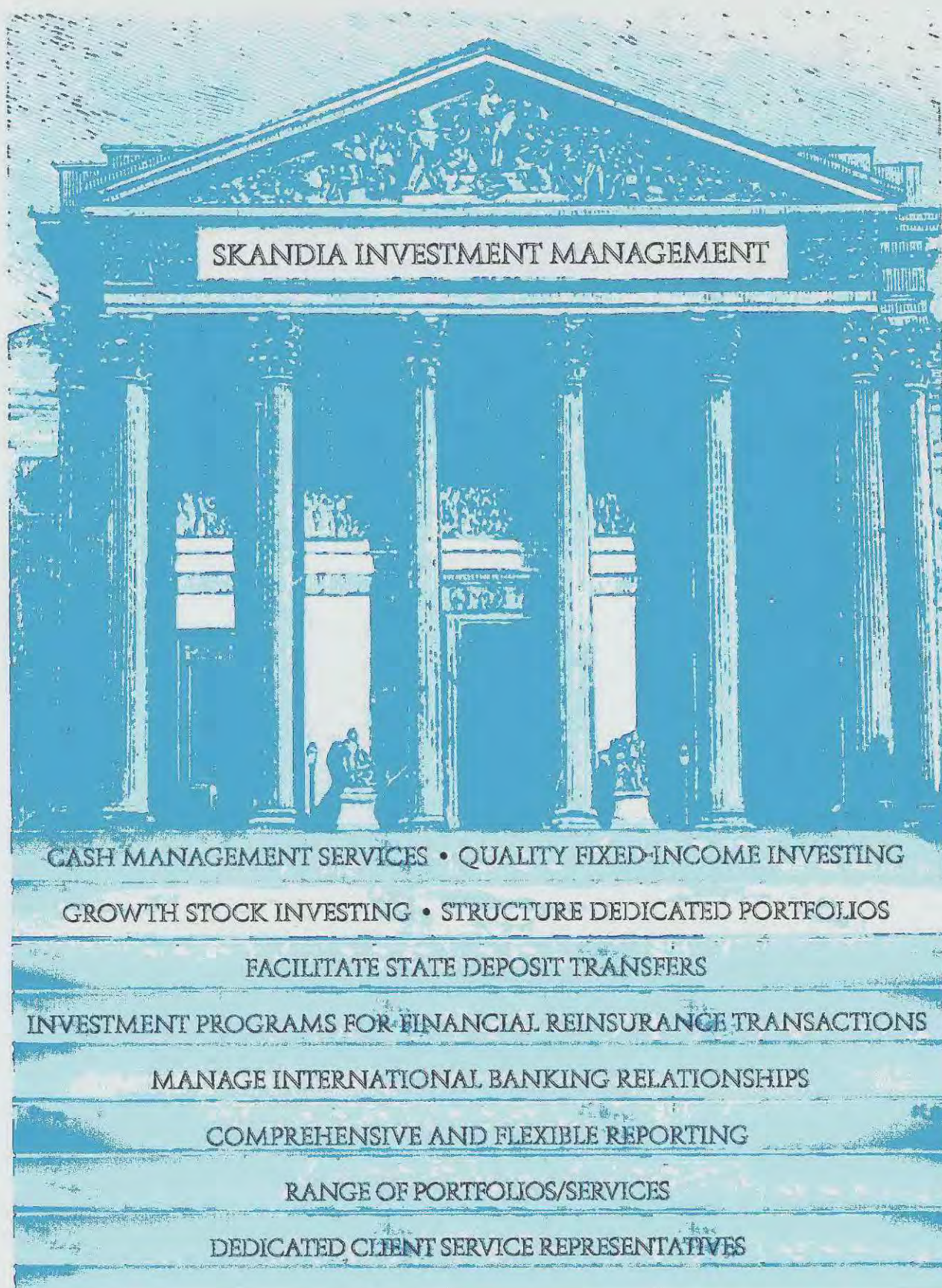
Continued on page 12



Volatile Times Demand An Investment Manager With The Experience To Handle Them.

At Skandia Investment Management, we believe that effective portfolio management for insurance companies begins with a review of insurance company operations. Asset/liability issues, claims paying needs, plans for expanded operations, changes in business mix, all are factors that have an impact on the way we formulate an investment strategy that is tailor made for the needs of our clients.

The Skandia menu of investment services removes the burden of investing from the insurance company, and allows management to focus on the demands of its primary business—underwriting insurance.



Skandia Investment Management

The Investment Manager For Insurance Companies

Send for a booklet of our full range of services:
One Liberty Plaza • New York, NY 10006 • Tel (212) 978-2790 • Fax (212) 227-4204

Surveys

Continued from page 1

non-profit Chicago Business Group on Health, which is meeting this week to decide whether to conduct its own employee health care value survey this fall. CBGH members employ more than 370,000 workers and spend more than \$2 billion for health benefits annually.

"If the Chicago-area employers do this, it'll be a gold mine for them," remarked Helen Darling, manager of health care strategy and programs for Stamford, Conn.-based Xerox. "And, if enough of us do this around the country, we'll have for the first time a reliable national database on most of the health plans in the country."

Broad-based surveys are more cost-effective than company-specific polls and produce more statistically valid samplings. What's

more, benefits experts say that a standardized consumer satisfaction survey tool yields reliable results that can be accurately compared across all health plan types.

"The only way to hold health plans accountable is to gather data about their services," said Fran Bastien, U.S. health program manager for Maynard, Mass.-based Digital. "And in order to hold them accountable we need comparable performance data so we can set goals for them to improve."

Other surveys, including the HEDIS performance measurement established by the National Committee for Quality Assurance, have evaluated the clinical performance of health maintenance organizations.

But the Employee Health Care Value Survey, which was used in the Xerox/GTE/Digital project, is one of only a few tests to measure consumer satisfaction with various

health plans. The survey was developed by the Health Institute, an independent research arm of New England Medical Center in Boston.

More than 24,300 active employees representing the national population of each corporation were asked to rate 32 health plans in six regions: California; Dallas/Houston; Massachusetts; New Hampshire; New York and Rochester, N.Y.; and Tampa, Fla. The survey asked 154 questions about the quality of the indemnity plans, HMOs—both prepaid group practice models and independent practice associations—and point-of-service plans in each region.

Xerox, Digital and GTE agreed not to release plan-specific results until they had a chance to meet with those plans and discuss how they will incorporate the data into their operations. Once the plans have time to read over all of their results, however, the employers ex-

pect them to develop specific action plans to address areas that fell short of employee expectations.

"Even the best health plans need to refine and continually improve, particularly in really small ways that matter to the consumer," said Xerox's Ms. Darling.

"We'd like them to start immediately. I want a performance improvement plan and to see results of their changes in six to 12 months. What we don't want to see is HMOs using the data to affirm what they already know" and not taking any action to improve, she said. "That's the worst possible news."

Other companies plan to put the information in consumer guides for employees to use during open enrollment.

Digital, for example, will publish such a guidebook this fall that will offer comparisons of its HMOs based on HEDIS data, NCQA ac-

creditation status and statistics from the recent survey.

Among other things, the survey found that the managed care strategies of all three corporations are achieving dramatic results in all project areas except New York City, where HMOs historically have not been widely accepted.

Each company is encouraging employees to enroll in managed care plans by, among other things, tying employer contributions to the most cost-efficient plan in an area.

The survey found that during the 1993 enrollment period, 37% of employees left indemnity plans for managed care plans, while 11% left independent practice association model HMOs; 10% left point-of-service plans; and 6% left prepaid group practice plans during that enrollment period.

In addition, 86% of prepaid group practice enrollees and 85% of

Continued on next page

Stewart

Continued from page 10

porters could add to the material.

Another target for the III is drive time radio, which also presents new challenges, said Mr. Stewart.

For example, the No. 1 drive time radio program in the country is "Buenos Dias L.A." on Los Angeles radio station KLAX, Mr. Stewart said. The program draws more listeners than Howard Stern or Rush Limbaugh in its market. But the program is presented in Spanish, which has the III looking for a bilingual contact in Los Angeles to reach this increasingly important audience by fielding questions on the air, he said.

To reach another audience, the III is working with the National Council on Economic Affairs, headed by former White House economic adviser Martin Feldstein, "to try to develop more economists and other experts who

'What people think of you over time will influence their actions,' says Gordon Stewart.

are qualified to speak on insurance." A group of about a dozen economists is developing papers on various subjects like the availability of capital and its role in insurance. The collected essays will be published by the University of Chicago Press, he said.

"In a few years, we hope to have another dozen people" who can talk to the media about insurance as a result of this effort, said Mr. Stewart. If enough academics get involved, the III hopes eventually to have at least one member of some future president's council of economic advisers knowledgeable about insurance.

Mr. Stewart emphasizes that the multipronged approach to reaching the public isn't a luxury—it's the only way to get the industry's message across effectively.

"There's no part of the industry that is exempt from public opinion. I don't care how specialized the niche is or how much effort they put into trying to avoid the connection to the public. In democracy, what people think of you over time will influence the actions they take," he said.

"The more people feel the industry's on their side, the more it will help everybody in this business."

BI



Reliance Re underwrites through Reliance Insurance Company

Continued from previous page
independent practice association enrollees reported that they were satisfied with their overall health plan; indemnity and POS plans registered significantly lower scores at 74% and 76%, respectively.

Employees in prepaid group practice HMOs and IPAs also were more likely to recommend their plan to others and did not intend to switch plans, compared with employees in indemnity plans.

The employees were asked a lot of questions to predict a plan's bottom line performance, but the survey indicates that cost is the most important predictor of overall plan satisfaction, a member's unwillingness to recommend a plan or intention to switch plans.

"It was not that areas like access, technical skills and particularly choice and continuity were unimportant," according to an executive summary of the survey. "But these

Strategy working

More employees are leaving indemnity plans in favor of managed care plans.

Percent disenrolled during fall 1993 open enrollment

Group practice HMO



IPA model HMO



Point-of-service plan



Indemnity plan



Source: NEMO, The Health Institute

GRAPHIC BY KIM ROME

ecutive summary of the survey. "But these latter areas typically figured less prominently in accounting for employee-based scores of bottom line performance."

"The popular opinion in the press has been that choice is most important to consumers, but it's not. Cost is," said Dwight McNeill, GTE's health care information manager.

"People are getting more and more dissatisfied with the 'indemnity plan surprise,'" he said, referring to the seemingly endless increases in indemnity plan costs.

"This survey showed that the main attraction to consumers is predictability, and HMOs offer that," Mr. McNeill said.

Employees did express higher satisfaction with indemnity plans' choice of physicians and continuity of care, however.

That's an important point for

both managed care plans and employers, pointed out Harris Allen Jr., a scientist with the Health Institute and the survey's principal investigator.

"There are features of indemnity care that continue to be more favorably rated by consumers, particularly on the care delivery side, like physician choice, access to care and styles of care provided," Mr. Allen said. "In some cases indemnity plans were, from the employees' perspective, providing superior performance. This suggests managed care plans still have some improvements to make."

POS plans uniformly received the least favorable evaluations on virtually all criteria.

One reason may be that people in POS plans have been in those plans for fewer years than many people in HMOs or indemnity plans, Mr. Allen said. However, when comparing satisfaction lev-

els among one-and three-year enrollees, POS plans consistently registered lower than other types of plans.

Mr. Allen said the data on POS plans show that "while POS might look good in theory, as a way to transition employees from a fee-for-service to a managed care environment, they are difficult to set up."

For example, it's difficult to get doctors used to a fee-for-service setting to adopt managed care principles.

And, the survey data indicated that people leaving indemnity plans for POS plans tended to be generally satisfied with their former coverage, but were leaving because of increasing costs.

"Then they encounter problems with health care delivery, so you have expectations meeting reality and that translates into a very negative evaluation," Mr. Harris said.

The employers were also able to glean some interesting statistics about the health status of their employees.

It came as little surprise that employees who are enrolled in indemnity plans tended to be less healthy than employees who are enrolled in HMOs.

They also tended to be older, longer-tenured and suffering from more significant chronic health problems.

"We knew that was the case, but we're glad to have it documented," Ms. Darling said.

However, Xerox—which had not completed a health risk appraisal prior to this survey—also found out nearly one-third of its workforce suffers from seasonal allergies. The finding will help the company—and its health plans—target intervention for those employees during allergy season.

The survey also gathered data on health risks, like smoking, weight problems and seat belt use. Those findings will help employers, and their health plan, target specific interventions to keep employees healthy.

Perhaps the most valuable finding for all health plans is that the performance of all plans, regardless of type, falls short of the survey's consumer-supplied standard of excellence. There were a low proportion of "excellent" responses across the full range of plan performance criteria.

"There are obviously limited resources to spend without increasing our overhead or premiums. Surveys like this help us to focus our quality improvement programs to deal with the most pressing issues for the majority of our users," said Dr. Eugene Komrad, medical director of CIGNA HealthCare of Florida Inc. in Tampa.

For CIGNA, that means addressing some health plan members' concerns about limited providers. "One of the things we identified from this survey is, from the employees' vantage point, they are coming from an indemnity world where you simply walked in to any neighborhood doctor. The hardest thing for them is to have to travel farther down the road to an HMO doctor," he said.

"When we go out into the market, we have to continue to emphasize the difference between managed care and indemnity," said Dr. Komrad.

"But we want to be sure members feel that a limited network isn't just a limited network. It's been honed down to wean out poorer quality doctors and include those physicians who have established cost-effective practices," Dr. Komrad said.

Today, many insurers find themselves adrift in a rising tide of regulatory requirements — most recently, Risk-Based Capital. The new guidelines are far-reaching. And very complex. At Reliance Re, we've already developed detailed computer models to help companies analyze their RBC position and evaluate their many options — including the smarter use of reinsurance. To make sure you're on solid ground, meet with us. Call your broker today.

ReThinking Tomorrow.

Today.



RelianceRe

Reliance Reinsurance Corp.
A Reliance Group Holdings Company

One Penn Center Plaza,
Philadelphia, PA 19103



THE SECOND ANNUAL

Business Insurance®

WORKERS COMPENSATION CONFERENCE



WHO SHOULD ATTEND:

Risk managers, employee benefit managers, safety managers, insurers, claims administrators, workers compensation and loss control specialists, consultants, insurance brokers, lawyers and providers from a broad range of companies and organizations involved in workers compensation.

CONFERENCE AGENDA

WEDNESDAY, OCTOBER 19, 1994

- EARLY REGISTRATION & WELCOME RECEPTION

THURSDAY, OCTOBER 20, 1994

- Registration & Continental Breakfast
- NEW INITIATIVES FOR CONTROLLING WORKERS COMPENSATION HEALTH CARE COSTS
- DISABILITY MANAGEMENT
- LUNCHEON SPEAKER - ALLEN IAMPAGLIA, RISK MANAGER, CITY OF GLENDALE, ARIZONA
- EMPLOYER CASE STUDIES
 - ▶ IN-HOUSE CASE MANAGEMENT WORKS
 - ▶ CARPAL TUNNEL SYNDROME CASES DON'T HAVE TO COST AN ARM
 - ▶ THE TRUTH AND CONSEQUENCES OF COMBATTING FRAUD
- FINANCING ALTERNATIVES FOR WORKERS COMPENSATION: HOW TO EVALUATE AND DECIDE WHICH FINANCING METHOD IS RIGHT FOR YOUR COMPANY
- Reception

FRIDAY, OCTOBER 21, 1994

- Continental Breakfast
- DEALING WITH CONTESTED CLAIMS
- CUMULATIVE TRAUMA DISORDERS: CONTROLLING THE WORKERS COMPENSATION MONSTER
- ESTABLISHING AND MANAGING THE CLAIMS AUDIT PROCESS
- LUNCHEON SPEAKER - DOUGLAS MCCOY, RESIDENT VICE PRESIDENT, COMMERCIAL LINES, THE TRAVELERS CORPORATION
- APPLYING TOTAL QUALITY MANAGEMENT TO WORKERS COMPENSATION: UTILIZING BENCHMARKING TO STREAMLINE THE WORKERS COMPENSATION PROCESS

ACCREDITATION

IBF•International Business Forum is registered with the California Insurance Board as a course provider. Attendees will earn 11 CEU credits.

Presented by Business Insurance and



OCTOBER 19-21, 1994

Loews Coronado Bay Hotel, San Diego, California

COMMENTS FROM SOME OF LAST YEAR'S ATTENDEES:

"Consistently good speakers—educating and entertaining—made the conference valuable and palatable."

Mary Dymond
Risk Manager
ACX Technologies

"A high-powered conference with dynamic and informative presentation. An excellent opportunity to network with other workers' compensation professionals."

Paul Yontz
Employee Safety Coordinator
City of Glendale, Arizona

"The conference was an excellent forum for gathering ideas and networking. It was well run. I'm glad I came."

K. Mildenhall
Workers Compensation Product Manager
USF&G Corp.

"The conference was great! The facility was beautiful. I received a lot of information that will be valuable once applied."

Sharon Vansant
Claims Administrator
Bergen Brunswick

CONFERENCE CHAIRMAN

Kathryn J. McIntyre, Vice President, Publisher and Editorial Director
Business Insurance

CONFERENCE ADVISORY BOARD

Arnold Davenport
Vice President, Risk Management
Marriott International, Inc.

Allen Iampaglia
Risk Manager
City of Glendale, Arizona

John Kessock, Jr.
Chairman
Commonwealth Risk Services, Inc.

David McLean
Chief Executive Officer,
Core Management Services
United Healthcare Corporation

Acrian Tocklin
President
Continental Risk Management
Services, Inc.

Richard A. Victor, Ph.D., J.D.
Executive Director
Workers Compensation
Research Institute

Susan M. Werner, ARM
Director of Risk Management
Hardee's Food Systems, Inc.

Stephen M. Wilder
Vice President, Risk Management
Walt Disney Company

Edward C. Woodward
President
California Workers Compensation
Institute

CONFERENCE CO-SPONSORS

Commonwealth Risk Services, Inc.
Continental Risk Management Services, Inc.
United Healthcare Corporation

REGISTRATION

To register or to receive more information call IBF•International Business Forum, or fill out the coupon below and Fax or mail to IBF•International Business Forum at 7 Penn Plaza, Suite 901, New York, New York 10001.

FAX: (212) 279-9307 TEL: (212) 279-2525

REGISTRATION COUPON

YES, I'D LIKE TO REGISTER NOW AND TAKE ADVANTAGE OF THE EARLY BIRD DISCOUNT AVAILABLE UNTIL AUGUST 15, 1994. I UNDERSTAND THAT I WILL BE INVOICED.

- ☐ I am a service provider - \$695 (regularly \$795)
- ☐ I am a risk, benefits or safety manager - \$495 (regularly \$595)

Name _____

Title _____

Company _____

Address _____

City/State/Zip _____

Telephone No. (_____) _____

Fax No. (_____) _____

- ☐ Please forward information on table-top exhibits

P/C stocks

Continued from page 3
trated with the pricing insanity and the level of stupidity."

Joanne Morrissey, a principal with Firemark Consultants in Parsippany, N.J., agreed investors are wary. "A lot of investors have lost faith in the insurance sector itself, and they are afraid at this point of investing in the insurance companies until they're sure about what's going to be happening with such issues as risk-based capital on the property/casualty side."

Other issues of concern include the future of the state guaranty funds and what is going to happen in lines that are "really hurting for rate increases," said Ms. Morrissey.

On the other hand, she noted, "the stock market itself has not performed all that strongly, and the insurance stocks, when compared with the rest of the stock market, have not done as badly as it might seem just looking at individual companies."

The *Business Insurance* Index, which tracks the stocks of property/casualty insurers as well as life and health insurers, brokers and health maintenance organizations, fell 4.6% to 935.8 on July 1 from 981.1 on March 18. This compares with a 5.3% drop in the Standard & Poor's 500 Index over the same period.

According to data compiled by Hartford, Conn.-based securities firm Langen McAlenney, for the period March 18 through June 27, reinsurers outperformed other insurance market sectors. Primary property/casualty insurer stocks were down 7.8%, while multiline insurers decreased 2.8%, life insurers were down 8.2% and insurance brokers were down 2.7%. Reinsurance stocks, however, were up 3%. During the same period, the overall market was down 4.4%.

Robert R. Glasspiegel, an analyst with the firm, observed that reinsurers have "not given up all the bounce they enjoyed" as a result of General Re's announcement of increased casualty facul-

tative business.

Interest rates will be a key element in how well the stocks perform in the future, analysts say.

Traditionally, portfolio managers believe that when interest rates rise and bond portfolios decrease in value, the stock values of financial services firms—including insurers—decline.

"What we need is some stability in the bond market. Then I think investors would be willing to put money into the sector," said Gloria Vogel, first vp with Lehman Bros. in New York. But, she added, "I don't think they're going to outperform the market in the same degree they did last year."

"I still think there'll probably be some tie-ins with interest rates," agreed Dean Witter's Mr. Lewis. "If interest rates continue to rise, I think it makes for a difficult environment for the stocks."

"I don't anticipate any significant change in the pricing environment, so I would imagine we're not going to get any relief from that side of the equation. I think a lot depends on what happens in the summer season regarding hurricanes and the losses there. There could be some hits there," he said.

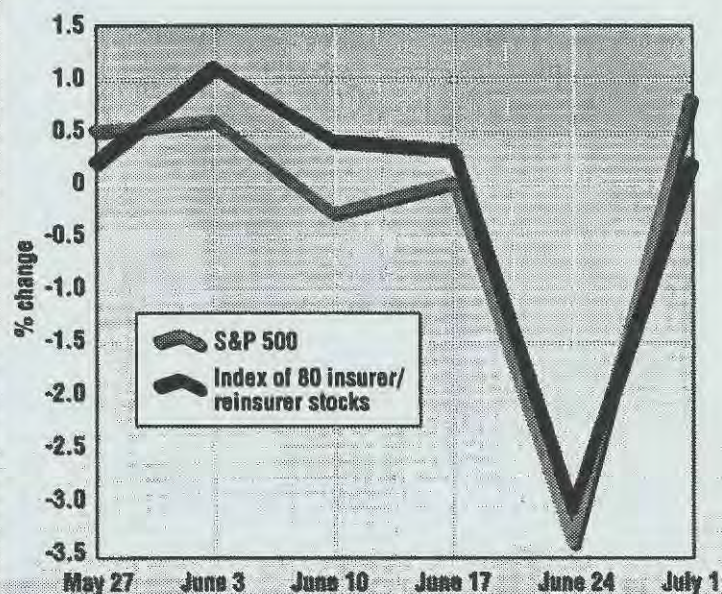
Furthermore, noted Mr. Lewis, "The group usually does not perform well going into the summer. So even though I'm expecting relatively decent second-quarter results vs. the first quarter," there will be a "cautious environment for the property/casualty groups going forward at least for the summer."

This could be a good time to buy, however, analysts say. DLJ's Mr. Seifer, who believes the property/casualty market could tighten as early as January 1995, recommends investing in the stocks now.

"Our approach has been that this is a time to be accumulating those insurers that have the more predictable earnings growth patterns and have the better balance sheets and reserve positions," he said.

Although a market tightening is not imminent, investors who "have the guts to live through what might be an average or

Insurer stocks sluggish, but in good company



GRAPHIC BY MIKE GARVEY

slightly below-average relative performance" should buy the stocks now while the stocks are near their trading lows and before they eventually climb, suggested Mr. Seifer.

"I think some of these stocks are pretty cheap," added Conning's Mr. Ransom. "Despite the fact that interest rates may be rising, and despite the fact that the dollar is suffering, most of these things don't have that significant an impact on earnings of these companies, at least not in today's environment."

Furthermore, many insurance companies' earnings have suffered as a result of declining interest rates and, as rates start to go up, they will benefit as their investment income improves, he said.

Less optimistic was Oppenheimer's Mr. Picoult. Stocks' attractiveness is directly related to perceptions of interest rates and corporate profits, he said. "Until you see some changes there, I think it's going to be difficult to make headway on the stocks."

Analysts' current stock recom-

mendations essentially fall into two categories: Large, well-capitalized companies like American International Group Inc., Chubb Corp., General Reinsurance Corp. and SAFECO Corp. that have proven track records and are regarded as quality operations; and much smaller companies, often niche players, that may not yet have received the recognition they deserve from the stock market.

For instance, Ron Frank, an analyst with Smith Barney in New York, said he believes "there are some good opportunities in the large leadership names, including AIG, Chubb Corp., Lincoln National Corp. and UNUM Corp."

"At the other end of the spectrum, there are some opportunities in small-cap, niche kinds of names," he said. "I think that those opportunities emerge from a value standpoint, largely because when the entire group is under pressure they tend to fall off the radar pretty easily and therefore get undervalued."

Mr. Frank includes in this group Bermuda catastrophe reinsurer

PartnerRe Holdings Ltd., Sphere Drake Holdings Ltd., PennCorp. Financial Group and Orion Capital Corp.

Walter Fitzgerald, an analyst with Baird, Patrick & Co. Inc. in New York, said, "When I look at the industry, I think, on a selected basis, you can make a lot of money there picking companies that have been savaged as a result of what's happened in P/C equity prices the last six months or so. I think there are opportunities." Among his recommended stocks are workers comp insurer Fremont General Corp., as well as RLI Corp. and Reliance Group Holdings Inc.

Firemark's Ms. Morrissey also says there are some good opportunities among some of the relatively small players. "We think that reinsurers are a good place to invest, excess and surplus companies and those companies that really write specialty lines, not companies that call themselves niche but are really regional companies."

Her specific recommendations include: Gryphon Holdings Inc., which specializes in writing California earthquake coverage; W.R. Berkley Corp.; and financial reinsurer MBIA Inc. She also recommends Chubb and USF&G Corp., in part because of its reinsurance subsidiary, F&G Re.

Analysts who recommend Gen Re and AIG cite the companies' international operations. AIG is the "best global player in the industry," while it has also "proven it can do well regardless of the underwriting cycle," said Lehman Bros.' Ms. Vogel. "I think there are good prospects for them to show continued growth."

In recommending Gen Re, analysts point to its deal to assume a controlling interest in Cologne Reinsurance Co. through a new Dutch holding company, which would make their combined operations the world's third-largest reinsurer (BI, July 4).

"The international insurance scene is likely to expand more than the U.S. market, so over the long run it gives Gen Re some additional growth opportunities," said Conning's Mr. Ransom. **BI**

HMO stocks

Continued from page 3
non-onerous reform appear to be very good as well," said Mr. Mains.

He says that the stocks' current weakness has "created some buying opportunities."

Over the next month and a half, he predicted, the HMOs' earnings reports will "favorably surprise" the market.

Also positive was Alex. Brown's Ms. Kearns. "Overall, I think they will continue to appreciate. There will be occasional scare stories, if you will, but overall the fundamentals for the industry look good... then there's always the acquisition and takeover speculation, which seems to be buoying the stocks up," she added.

"Certainly there's a more cautious environment as time goes on, but when we look at the HMOs we've been favoring, we still maintain our view that they will outperform the market," said Sanford Bernstein's Mr. Hewitt.

Ms. Kearns and Messrs. Hewitt and Mains all have Oxford Health Plans of Darien, Conn., on their recommended list. Oxford is the fastest growing publicly traded HMO in the industry, with a "solid market presence in New York City and a growing presence

in New Jersey, Philadelphia and Connecticut," said Mr. Mains.

Ms. Purvis' sole buy recommendation is U.S. Healthcare Inc., based in Blue Bell, Pa., which is also recommended by Ms. Kearns and Mr. Hewitt.

U.S. Healthcare's premiums tend to be low, said Ms. Purvis. With competition now increasing, other companies are scrambling to cut or keep their rates flat, while U.S. Healthcare is "already close to the bottom on pricing," she said. That means the company can conduct its "business as usual while everyone is trying to match them."

Other stocks recommended by Ms. Kearns include: Cypress, Calif.-based PacificCare Health Systems; PhyCor Inc., based in Nashville, Tenn.; and Value Health Inc. of Avon, Conn.

Mr. Mains also recommends the stock of: Mid-Atlantic Medical Services, based in Rockville, Md.; United HealthCare Corp., based in Minnetonka, Minn.; and Hooksett, N.H.-based HealthSource Inc.

In addition, Foundation Health Corp. of Rancho Cordova, Calif., and Coventry Corp., parent company of Group Health Plan Inc. in St. Louis, and HealthAmerica Pennsylvania Inc. of Pittsburgh are on Mr. Hewitt's list of recommended stocks. **BI**

Doctors challenge Blue Cross PPO over how physicians are selected

By MARK A. HOFMANN

WASHINGTON—The Medical Society of the District of Columbia is seeking \$3 million in damages against Blue Cross & Blue Shield of the National Capital Area for alleged discrimination in how it selects physicians for a preferred provider organization.

The lawsuit, filed June 28 in federal court here, specifically charges the Blues with disseminating false information about physicians, breach of confidentiality, interference of contracts and violation of Virginia's any willing provider law. The Blues plan denies the allegations, which center on the operations of its Select Preferred Provider Plan.

The society claims that the plan unfairly favors doctors who charge low rates, regardless of how good their services are. The plan discriminates against the sickest patients and the doctors they visit, the suit charges. In addition to the \$3 million in damages, the society is seeking termination of the Select plan.

The society is particularly critical of the Blues' use of a computer

program called "Pro/File" to determine which physicians may participate in the Select plan. The society holds that Pro/File relies too heavily on the cost of a physician's treatment practices in determining who will be invited to join the Select plan. Because treatments for the sickest patients or those with chronic illnesses tend to cost more, the society claims that the Select plan is discriminatory.

The Blues "categorically deny" all of the charges, particularly that the Select plan discriminates against the very ill and their physicians. "Nothing could be further from the truth. Neither has BC/BSNCA falsely represented physician practices nor breached the confidentiality of patient records," the plan said in a statement after the suit was filed.

BC/BS says the Medical Society of the District of Columbia was kept informed of plans to create the PPO—which came into being on Jan. 1, 1993—and has since held "discussions with society members and its leadership regarding cooperative education activities on this leading-edge managed care effort."

According to the Blues plan,

more than 6,000 physicians—or about 65% of all physicians in the Washington area—accepted invitations to participate in the Select plan. Physicians who are not invited may appeal the decision, BC/BS said.

Six individual physicians and one medical practice group joined the society in its suit against BC/BS. All provide services to patients under other Blues plans.

Meanwhile, a federal judge in Alexandria, Va., dismissed a suit brought against Aetna Life Insurance Co. for allegedly violating Virginia's 1987 any willing provider law. The suit was brought by HCA Reston Hospital Center, a Reston, Va.-based hospital that claimed Aetna violated the law by dropping it from its PPO. The hospital claimed that it met Aetna's participation requirements.

Although U.S. District Judge James Cacheris initially sided with the hospital and ordered the two parties to negotiate a new contract, Aetna rejected the contract, claiming it did not meet its requirements. Judge Cacheris agreed with Aetna, holding that it had negotiated in good faith. **BI**

Limiting losses from aging workers

By The Insurance Institute of America

Any peril can reduce an organization's revenues or raise its expenses, causing the organization to suffer a loss of net income. The following question and answer illustrate how an often ignored peril, the excessive aging of a workforce, can increase an organization's net income and liability loss exposures and how various risk techniques can prevent or reduce these losses.

This question and answer have been adapted from the curriculum for the Associate in Risk Management designation awarded by the Insurance Institute of America. They represent the type of question asked—and the possible answers—in one of the three examinations for the ARM designation.

Q

The Green Tableware Co. specializes in the design, production and direct mail marketing of hand-painted china whose designs commemorate current and historic events and personalities.

GTC prides itself on the extensive experience of its many veteran artists and designers, several of whom are featured in GTC's extensive television and magazine advertising. However, more and more of the younger, quite promising artists and designers on GTC's staff are resigning to seek other employment where their youth and creative potential are more appreciated and better compensated.

A. How, if at all, does the increasing average age of GTC's artists and designers increase the company's exposures to each of the following?

1. Net income losses.
2. Liability losses.

Explain in each case.

B. Is GTC likely to find practical ways to deal with any increased exposures to net income losses, and liability losses, through each of the following risk management techniques?

1. Loss prevention.
2. Insurance.

ARM Exercises

3. Contractual transfer other than insurance. Explain in each case.

A

A1. GTC is likely to incur increasing net income losses—decreasing revenues or increasing expenses due to accidental events—with the rising average age of its designers and artists as their productivity falls or when these aging employees make more errors in their work. These employees' mortality and morbidity rates also will increase, raising GTC's costs of providing employee benefits and thus lowering its net income.

A2. As GTC's skilled craft persons become more infirm and error-prone with age, the company is likely to face greater costs in meeting its liabilities to provide workers compensation benefits.

Liability claims against GTC for defective products or for failure to deliver orders on time to major customers also may increase.

GTC possibly may also face liability under the Employee Retirement Income Security Act for unlawful age discrimination against its younger employees in paying wages and salaries and in providing non-occupational medical and pension benefits. Such ERISA liability could arise of the formulas or other procedures for determining compensation and benefits unfairly favor the most senior employees.

B1. The most logical way for GTC to prevent all these possible losses is to reverse the personnel policies that are their root cause. Properly rewarding younger artists and designers to stay with or to join the company should reduce the probability of these losses. If reversing these policies is not practical, particularly in the short run, then GTC should do all it can to maintain the health and productivity of its veteran employees. Truly infirm employees should be given incentives to retire.

In addition, the company should strengthen its product quality control program to reduce the chance that defective output will reach the market. To prevent

losses from failure to meet contracted delivery dates, GTC should try to negotiate less demanding delivery schedules.

B2. Most of GTC's probable net income losses from employees' increasing age are not likely to be commercially insurable because they are not sufficiently definite in time, place or amount. Most of the increased liability losses should be insurable, however, because these losses are more definite and, as individual events, are beyond GTC's control.

Even its contractual liability for failing to meet delivery dates promised to major customers may be insurable if the failure is due to some definite, otherwise insurable event, such as damage to a machine or other property that is indirectly attributable to an employee's increasing age. Any ERISA liability for discrimination against younger employees would not be insurable because such employer wrongdoing is considered intentional.

B3. For GTC to transfer any of these increased net income or liability loss exposures to another party other than an insurer, GTC must find other parties who are willing to assume these risks under terms that still leave any profit for GTC. Neither its suppliers nor its employees are likely to be such transferees, but its customers may be.

If GTC's products are so prized in the market that the company has few competitors, GTC may be able to get customers to accept some tableware that is slightly defective or delayed in arriving. Furthermore, if GTC can raise its prices without any resulting significant reduction in the volume of tableware it sells, the company may be able to pass on to its customers the costs of its losses from decreased efficiency or increased mortality and morbidity costs. BI

The sample questions and answers used in this column are taken from the Associate in Risk Management designation curriculum of the IIA. For more information on the content of the ARM program, write Dr. George L. Head, Vp, Insurance Institute of America, 720 Providence Road, Malvern, Pa. 19355-0716, or telephone an Institute Customer Service Representative at 610-644-2101.

ERISA governs sole shareholder's health plan

A sole shareholder employed by a closely held corporation and insured under a group health policy provided by the corporation was a "participant" in the company's Employee Retirement Income Security Act plan, according to a decision of the 4th U.S. Circuit Court of Appeals.

Dr. Eugene Madonia was the founder, director, president and sole shareholder of Martinsville Neurological Associates Inc. MNA employed four other full-time employees. In November 1988, Dr. Madonia was issued a group health policy through Blue Cross & Blue Shield of Virginia, naming him as the policyholder and listing his family members as beneficiaries. All premiums were paid by MNA. Subsequently, another MNA employee enrolled in the group policy with MNA, paying two-thirds of the premium. In 1984, Dr. Madonia's wife was diagnosed with breast cancer. BC/BS denied coverage for a bone marrow transplant. Mrs. Madonia sued BC/BS in state court, alleging, among other things, breach of contract. BC/BS had the case removed to federal court on the grounds that the suit was governed by ERISA. The federal trial court agreed that ERISA pre-empted the state claims.

On appeal, Mrs. Madonia contended that her state law claims were not

Legal Briefs

pre-empted by ERISA because an "employee benefit plan" did not exist. The court concluded that a sufficiently defined "plan" existed because the parameters of the plan were readily ascertainable: the intended benefit was health insurance coverage; the beneficiaries included MNA's employees who sought help with their health insurance payments; the source of funding was MNA and its employees; and the procedure for receiving benefits was submission of claims for the employees' own insurers.

Madonia vs. Blue Cross & Blue Shield of Virginia, 4th U.S. Circuit Court of Appeals, Nov. 24, 1993 (BI/02/Ju-\$10).

Business interruption ruling

The 3rd U.S. Circuit Court of Appeals ruled that a policyholder under a business interruption policy could only recover for losses of sales that occurred simultaneously with the interruption of production.

Remington Rand Corp. was in the business of selling electric typewriters. Remington included two subsidiaries in

Holland and Italy. Remington had a business interruption policy issued by Insurance Co. of North America covering actual losses for only such time as would be required, with the exercise of due diligence, to rebuild, repair or replace the damaged property. A resumption of operations clause required Remington to reduce the loss by making use of stock of contributing properties or other available source materials. In November 1980, an earthquake shut down its Italian subsidiary for five days. A second earthquake shut down operations in Italy from Jan. 9 to Feb. 17, 1981. Unrelated to the earthquakes, the Italian subsidiary was closed because of bankruptcy. So was the Dutch plant. Remington's U.S. companies also filed for bankruptcy under Chapter 11. Remington was unable to find alternative typewriter production facilities in Europe but did acquire 14,500 typewriters from an outside source between September and November 1981. Remington filed a claim under its business interruption insurance policy for recovery of lost profits and royalties arising out of earthquakes, claiming a loss of sales equal to the production lost as a consequence of the earthquakes. INA denied the claim, however. Remington then sued and recovered a judgment of

nearly \$2 million.

The appellate court first concluded that there was no ambiguity in the INA policy. The court agreed with INA that the policy insured against losses covered by interrupted supply resulting from damage to a contributing property by an insured peril.

"The policy's phrase 'interruption of business' is not so synonymous with interruption of the insured's sales, as Remington argues," the court said, "but instead means such interruption of supply." Thus, the court found Remington had no claim because the policy only covered losses of sales that occurred simultaneously with interruption of manufacturing activities. The trial court decision was reversed.

Pennbar Corp. vs. Insurance Co. of North America, 3rd U.S. Circuit Court of Appeals, Sept. 25, 1992, *Rehearing and Rehearing en banc denied*, Oct. 21, 1992 (BI/03/S-\$10). BI

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

INTERNATIONAL

GE, Thomson address Taiwan pollution fears

By MEG FLETCHER

TAIPEI, Taiwan—Two major Western manufacturing companies are cooperating with officials in Taiwan investigating alleged soil and groundwater pollution around two former production sites.

RCA Corp. built the factories south of Taipei in the early 1970s. They became the property of General Electric Co. when the Stamford, Conn.-based conglomerate took over RCA in 1986.

GE owned the property for several months before it sold its worldwide consumer electronic business to the consumer electronics division of Thomson S.A. of Paris in December of 1987, a GE spokesman said.

Thomson and GE now find themselves at the center of a public debate in Taiwan.

Jaw Shau-kong, leader of the minority Chinese New Party, recently charged that water from 18 or 40 wells within a radius of approximately 3,300 feet of the plants is highly contaminated with trichloroethylene and tetrachloroethylene. That pollution allegedly occurred over 20 years.

Mr. Jaw, a former head of Taiwan's Environmental Protection Administration, also claims that the contamination is likely responsible for at least three deaths. Thomson has said that it does not believe it

KPMG may give up partnership

Reorganization would protect partners from personal liability in negligence claims

By ADRIAN LADBURY

LONDON—KPMG Peat Marwick announced last week that its U.K. operation may dump its long-cherished partnership status and reorganize as a limited liability corporation later this year.

Other big accounting firms in the United Kingdom are considering the move to shield individual partners from being held personally liable for a rising tide of negligence claims brought against the firms by dissatisfied clients.

Professional liability insurance coverage for the major accounting firms has now all but dried up and they are almost totally self-insured.

The U.K. arm of KPMG revealed last week that it has set up a working party to investigate the pros and cons of incorporation. The working party will report its findings to the main board in the fall.

The accounting firm must decide whether the tax status and other benefits it may lose through incorporation would justify the liability protection it would give to the partners.

Accounting firms have paid mil-

lions of dollars to settle negligence suits and have been held liable for millions of dollars in other actions. The firms argue that if the frequency and size of claims continue unabated, they could threaten the solvency of an accounting firm.

Partners could face personal liability if a catastrophic claim arose and the accounting firm could not cover the entire payment. The group must also decide whether incorporation will help improve management by creating independent operating units and a more traditional management structure.

"It would give partial protection against liability for partners and enable us to create a more streamlined management structure. The management and liability questions are equally important," said a KPMG spokesman. "The cons are the costs involved, such as payment of national insurance contributions, more tax and (the loss of) other benefits."

KPMG finds support for this approach among other top accounting firms, all of which are seeking ways to limit their liability exposure.

"It's not a question of if but when," said a spokesman for Price Waterhouse of the move to a limited liability corporation. "The principal reason is that it would create an umbrella to cover the partners from certain liability claims. It would not, however, protect partners from catastrophe claims, which could still cause the collapse of the company," he added.

The disappearance of the market for accountants liability insurance is certainly an immediate factor in Price Waterhouse's decision to incorporate, said the spokesman, adding it is a "myth" that any meaningful insurance coverage exists for the big accountants.

"We are now effectively self-insured," he said.

But incorporation only offers firms partial protection from liability. Much more effective, accountants say, would be the introduction of a cap on liability for auditing work.

The United Kingdom's eight biggest accounting firms in cooperation with the Institute of Chartered Accountants submitted a proposal to the British govern-

ment in March to introduce such a cap (BI, Feb. 21).

Under U.K. regulations, accountants liability can be capped for non-auditing work, such as tax and mergers and acquisitions advice, but not for their core auditing work. And this has been the main source of the recent rash of claims.

"The real problem is that accountants have joint and several liability which incorporation will not remove," said Andrew Colquhoun, chief executive of the Institute of Chartered Accountants.

He said that the ICA and accountants are still "in discussions" with the Department of Trade and Industry over their proposed amendment to Section 310 of the U.K. Companies Act, which would pave the way for introducing audit liability limits.

Mr. Colquhoun said that the DTI cannot act swiftly on the matter because amending Section 310 would impact other industries, but he predicted legislation could be introduced in the Fall session of Parliament, which could allow final legislation by early 1996. **BI**

U.S. oil company losses likely from ongoing Yemen civil war

By MARIA KIELMAS

SAN'A, Yemen—With Western oil companies clamping down on information about their operations in Yemen, it is unclear how large insurance claims could be from the Yemeni civil war.

Western oil companies, most of which are U.S.-owned, represent most of the insured assets in this Arab nation. Information available from underwriters and oil industry contractors indicates that the claims so far are for damage to oil plants and equipment, which had to be abandoned as hostilities mounted.

Fighting between what was formerly North and South Yemen broke out in early May and the southern side seceded on May 21. By the first week of July, Northern forces had all but crushed the Southern insurrection. North and South Yemen were united in 1990.

Aside from some foreign oil company operations, insurers have been unwilling to become too involved in underwriting Yemeni risks.

"Underwriters have not been willing to cover Yemen, aside from confiscation cover, because of Yemen's stance during the 1990-1991 Gulf War" when it supported Iraq, said Dennis Parker, a director in London for the Bain Hogg Group. Confiscation coverage insures against the taking of assets by the government.

A Lloyd's of London underwriter said that because "Yemen is still mostly a medieval country, our willingness to get involved in business has been extremely low."

The underwriter said the insurance industry view was that in the event of any losses it would be practically impossible for insurers to gain redress inside the country. Political risk underwriters have



had small losses originating from the unfair calling of bonds, Mr. Parker said. Further losses originated from the state-owned Yemen Bank for Reconstruction and Development, for failing to honor letters of credit.

Insurers in London have hired security and credit specialists to trace Yemeni assets abroad that could be seized to compensate for insurance claims against the YBRD.

Oil service contractors and insurance underwriters are negotiating potential claims for equipment abandoned after civil war broke, insurance and oil industry sources say.

The Lloyd's underwriter said that a European oil service contractor is making a claim under the "forced abandonment" clause of its policy. The equipment involved reportedly consists mainly of vehicles like Toyota land cruisers, valued at about \$20,000 each.

The biggest claim could be for vibration and recording equipment used in seismic surveys, with a value of up to \$1 million.

The company in question, which the sources would not identify, lost its equipment when it was trapped by fighting factions between the town of Ataq in central Yemen and

the Red Sea coast.

Before insurers will pay a claim, they must be satisfied that a policyholder has made every possible effort to recover lost equipment. The underwriter said he was unconvinced this company had done so.

Insurance claim information from Yemen's two oil production sites has not been made available.

Dallas-based Hunt Oil Co. is the operator for an oil venture producing 7.9 million gallons in northern Yemen. Exxon Corp. and a consortium of South Korean companies, known jointly as Yukong, are partners in this venture.

The field was attacked from the air on July 1 by southern Yemeni forces and water coolers at a pumping station on an oil pipeline were destroyed. A Ministry of Petroleum statement issued in the Yemeni capital, San'a, said that production was expected to restart late last week.

Insurance sources in London say the Hunt consortium has bought a separate business interruption policy for its Yemeni operations, in addition to its confiscation coverage.

A spokesman for Hunt Oil would not comment, noting that the company has been withholding all information on Yemen since its operations there were attacked.

Yemen produces 6.3 million gallons of oil a day from a location in the Masila area in southern Yemen, operated by Calgary-based Canadian Occidental Petroleum Ltd. The field was closed July 5 because Northern forces had captured its export terminal along the Gulf of Aden coast at the town of Mukalla. Oil production resumed last week.

Northern forces also bombed a state-owned oil refinery in Aden that was subsequently shut down.

GLOBAL BRIEFS

Bank holds Baltica stake

COPENHAGEN, Denmark—Den Danske Bank has suspended plans to sell its 23% stake in Danish insurer Baltica Forsikring after a Danish Supreme Court ruling on Baltica's life subsidiary, Danica Liv A/S.

Baltica Forsikring created Danica after its 1991 acquisition of the state-owned life insurer, Statsanstalten, in which Baltica had held a majority stake. But, the privatization was challenged in court by two Statsanstalten policyholders, who were members of the Danish Parliament at the time. One of the plaintiffs was Erling Olsson, now justice minister. He has since withdrawn from the case. They argued that if the insurer were privatized any profits would now accrue to shareholders as dividends rather than to policyholders in the form of lower rates.

Denmark's Supreme Court ruled in November 1993 that the government was within its rights to privatize the state-owned insurer but left open the question of if and how Danica would pay a dividend to its shareholder, Baltica Forsikring.

Den Danske Bank said in a statement that Danica represents a substantial part of Baltica Forsikring's equity, perhaps as much as 50%. So any dividend that Baltica would pay to the bank could be substantially affected by dividends the insurer receives from Danica.

The bank and its legal advisers have begun an assessment of the consequences of the ruling. And, as a result, Den Danske Bank is putting the sale of its stake in Baltica on hold.

A spokesman for Baltica had no comment.

Den Danske Bank has made it known since the 1993 restructuring. *Continued on next page*

GE and Thomson will investigate the extent of groundwater contamination, a GE spokesman says.

violated any environmental regulations or laws during the time it owned the factories.

Both GE and Thomson have sent executives to Taiwan to address the situation.

"We've made a commitment to fund the investigation," a GE spokesman said.

In addition, the companies are providing local residents with bottled water and expanding the local water system to provide service to a few previously unconnected homes, GE and Thomson representatives said.

GE has hired the Taiwan division of ERM Group, an Exton, Pa.-based environmental loss control consultant, to investigate the pollution. GE is also currently negotiating to rehire San Francisco-based Bechtel National Inc.

Bechtel National had previously investigated groundwater at the Taiwanese factory sites in the early 1990s, a Bechtel spokeswoman said.

"The two companies (GE and Thomson) are cooperatively working with the Taiwan EPA to investigate the two sites and develop jointly a schedule of action and plans for investigating the extent of groundwater contamination," the GE spokesman said.

"We've had good and cooperative meetings with the EPA," he added.

Companies' representatives declined to comment on insurance-related issues.

Correspondent John R. Westbrook contributed to this report.

INTERNATIONAL

Baltica

Continued from previous page
ing of Baltica Holdings that it wanted to sell its stake in the insurer, whose performance has been dragged down by bad loans from Baltica Bank and the runoff of a credit insurance unit, among other factors (BI, Sept. 13, 1993).

The bank owns a further 9% indirect stake in Baltica Forsikring that it acquired from the now-defunct parent, Gefion, formerly Baltica Holding A/S, in October 1992.

—By Maria Kielmas

December flood losses

BONN, Germany—Flooding in Germany last December caused about 300 million deutsche marks (\$191 million) in insured losses, though overall damage is estimated at more than 1.3 billion deutsche marks (\$828.1 million), according to a recent report by Bavarian Reinsur-

ance Co.

The first official tally of damage from the widespread flooding last December in Europe—which was among the worst this century—estimates total European losses at about \$2 billion (BI, Jan. 3).

The largest single insured loss was 7 million deutsche marks (\$4.5 million), incurred by the subcontractor for a German suitcase manufacturer.

Most damage occurred along the Rhine River and its tributaries, causing extensive flooding in several German cities, including Cologne.

The Bavarian Re report said increases in average temperature and precipitation over the century are to blame for the flooding. "More frequent and intense flooding can be expected," says Bavarian Re climatologist Ulrich Ebel. "Especially in the winter. A change in climate has shifted flooding periods from the spring to winter."

He noted that efforts to control floods by breaching dikes or diverting river flow proved less effective

than commonly thought.

—By Don Lewis Kirk

Canadian storm losses

Bad weather that battered U.S. insurers this past winter was no kinder to Canadian underwriters.

The Canadian insurance industry's combined ratio worsened to 113.6% in the first quarter of 1994 from 109.6% a year earlier.

As a result, first-quarter aggregate net income for Canadian insurers fell by 16.2% to \$222 million Canadian (\$170.8 million), from \$265 million Canadian (\$203.8 million).

Gross premiums written by Canadian property and casualty insurers increased 9.8% to nearly \$3.6 billion in the first quarter from \$3.24 billion the previous year. But, the number of claims incurred and expenses climbed in proportion to the number of heavy storms that hit North America in January and February (BI, Feb. 21; Feb. 7), according to the Belton Report, a newsletter pub-

lished by RBC Underwriting Management Services Inc. in Brampton, Ontario.

Claims incurred by Canadian insurers increased about 12%.

—By Michael Schachner

German sickness funds

German Health Minister Horst Seehofer is advocating lower employer and employee premium contributions to state-regulated health insurance funds if employees lead healthy lifestyles.

"Those who actively contribute to their health with good eating habits, necessary hygiene, regular exercise, no smoking and less alcoholic beverages, should pay less for health care insurance and less for treatment," Mr. Seehofer said.

The proposal is expected to be introduced in the 1996 legislative session.

German doctors and sickness funds criticize the plan.

"The German sickness funds aren't

a health care police force. We need more prevention, not punishment," said Peter Kirch, board chairman of AOK, the largest sickness fund.

Dr. Karsten Vilmar, president of the German Medical Assn., also said it is a bad idea for doctors to report patient behavior to the government.

He warned of jeopardizing doctor/patient confidentiality. And Dr. Vilmar said the plan would be detrimental to the "solidarity" principle, which requires all Germans to contribute to the wellness funds, spreading the risk among the population.

Mr. Seehofer insists the reform would not harm physician confidentiality nor punish the obese, smokers or alcohol consumers.

Employers and employees currently contribute 210 billion deutsche marks (\$132.87 billion) annually to the sickness funds. The average contribution paid by a family with a monthly income of 5,000 deutsche marks (\$3,264) would be 650 deutsche marks (\$411).

—By Don Lewis Kirk

The Professional Marketplace

RATES AND CLOSING TIME:

Rates: Display classified is \$136.00 per column inch, minimum of one inch. Straight classified is \$12.00 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional \$18.00 charge for all blind box ads. Only those responses which fit into a business size envelope will be forwarded. Responses are forwarded daily.

Closing: Published every Monday. Copy must be in typewritten form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required for all advertisements. Mail ads to, Lisa Mazzetti, Classified Advertising, 740 N. Rush St. Chicago, IL. For more information call 312-649-5340. FAX 312-649-7799

AGENT/BROKER

Progressive Northern California (Sacramento Area) agency seeks aggressive commercial lines producer with book of business. We offer a strong support staff and fully automated computer system. Professional designation. If interested, send resume to:
Box # 2873, Business Insurance,
740 N. Rush St., Chicago, IL 60611.

RARE OPPORTUNITY

For a proven P&C insurance producer to join a well established agency in NORTHBROOK (5 companies) & BUY OUT the retiring owner in the near future.
Write to: Mr. P., PO Box 2097,
Northbrook, IL 60065.

ACTUARY

Analytical position with a specialty AAA-rated reinsurance group located in New York City. Reinsurance structuring, accounting/systems, and marketing will augment actuarial activities. Background including corporate or mortgage finance, accounting, and/or financial reinsurance is beneficial. Cash flow modeling and communication skills are essential. At least five years' experience; fellowship not necessary. This is a position with potential career development in a small entrepreneurial environment. Excellent benefits, 401(K) Plan. Send resume to: Box 2875, Business Insurance, 740 N. Rush St., Chicago, IL 60611.

CASUALTY PRODUCER

Established P & C Producer w/ Book of Business to Join N.J. Agency. 15+ Primary Mkts., Life & Health Dept. 40% Comm., ownership potential, generous expense & Bene. pkg. inquire in confidence to:

Peter K. Bommer, CPCU
Firm Inc.
385 Clinton Ave.
Wyckoff, N.J. 07481
(201) 891-3785.

RECRUIT
THE
INDUSTRY'S
MOST
QUALIFIED
CANDIDATES.

Call 312/649-5340
for advertising
details.

FOR SALE
TEXAS P&C COMPANY

Clean Management Available
Approximately \$2,500,000 Value
Call Thomas E. Draper
(713) 527-0444

EXEMPTED offshore companies looking for quality marine business. Qualified groups, Associations, Yacht Clubs, Fishing Vessels, etc. accepted. Send for details to:
INTERNATIONAL MARINE GROUP, 20 Upper Merion St., Dublin 2, Ireland. Call 1-800-263-9221 ext 2666 or FAX 011-353-1661-3193 for faster response.

LEGAL NOTICE

IN THE CIRCUIT COURT OF COLE COUNTY, MISSOURI, IN RE TRANSIT CASUALTY COMPANY IN RECEIVERSHIP
CAUSE NO. CV185-1206CC
NOTICE OF HEARING
PARTIAL DISTRIBUTION

To: All Creditors of Transit Casualty Company in Receivership ("Transit")
Where: St. Louis Airport-Radisson Hotel, Lindbergh and I-70, St. Louis, Missouri

When: August 31, 1994 at 1:00 p.m., C.S.T.

PLEASE TAKE NOTICE THAT A HEARING WILL BE HELD BEFORE THE HONORABLE BYRON L. KINDER, CIRCUIT COURT JUDGE, ON THE APPLICATION OF TRANSIT'S SPECIAL DEPUTY RECEIVER, J. BURLEIGH ARNOLD, TO APPROVE A PARTIAL DISTRIBUTION OF CERTAIN ASSETS OF THE TRANSIT RECEIVERSHIP TO CLAIMANTS PURSUANT TO THE COURT APPROVED "PLAN OF DISTRIBUTION" AND FORMULA.

Pursuant to the Plan of Distribution, the Special Deputy Receiver will seek the Court's approval to make an interim, initial partial distribution of the Gross Available Assets of the receivership in order that Transit may pay certain claimants a percentage of their allowed claims in 1994, in accordance with Section 375.700, Revised Statutes of Missouri, which generally provides for the payment of dividends to creditors (claimants) within an established order of priority.

The Special Deputy Receiver will present testimony to Judge Kinder from Transit's staff and consultants on the total assets available for distribution, the present "allowed claims" against the receivership estate and an actuarial estimate of the dollar amount of future claims still pending against the estate. This evidence of Transit's assets and liabilities will be considered by the Court, along with any evidence a claimant may wish to present, in determining the exact percentage of the allowed claims which may be paid to each class of creditors in 1994.

HELP WANTED

HUMAN RESOURCES VICE PRESIDENT

State Compensation Insurance Fund, Helena, Montana. Human Resources Department dealing with human resource issues in a customer focused, team-oriented business environment. Salary negotiable. For information and required application form, contact Debbie Svaldi, Personnel Manager, (406) 444-6523, TDD (406) 444-5971. Deadline for receipt of applications July 20, 1994. EEO.

Business Insurance

Circulation Breakdown

Commercial Consumers

Administrative:	
CEO's, Presidents, and Owners	2,657
Vice Presidents, General Managers and Other Administrative Personnel	4,005
Financial	
Chief Financial Officers and Vice Presidents of Finance	2,359
Secretaries, Treasurers, controllers and other Financial Personnel	3,700
Risk/Employee Benefits:	
Vice Presidents, Directors, Managers, and other related department personnel of: insurance, risk employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations	15,138
Sub-total	27,859
Associations	371
Government, Unions and Educational Institutions	986
Commercial Consumers	
Sub-total	29,216
Insurance Agents and Brokers	8,607
Insurance Companies	8,258
Accountants, Actuaries, Attorneys & Consultants	3,576
Managers & Health Care Providers	1,941
Others Allied to the Field	1,351
TOTAL	52,949

★ Source Business/Occupational breakdown of qualified circulation, November 29, 1993 issue, as submitted to BPA for December 1993 BPA Publisher's Statement.

A wider range of career potential...a foundation of corporate strength...these are the essence of ROLLINS HUDIG HALL. One of the nation's leading insurance brokerage/risk management firms, RHH is a dynamic member of a multi-billion dollar International operation.

Liability Claims
Adjuster

Eastern CT Territory

We currently have available an outside position handling moderate sized AL and GL claims. Applicants must have a minimum of 3 years' liability claims handling experience. Position includes company car.

We provide competitive compensation and an excellent benefits package. For immediate consideration, send resume and salary requirements to Nancy Jones, Human Resources Dept., Rollins Hudig Hall, 99 High Street, Boston, MA 02110-3271, Phone (800) 827-8692 or Fax (617) 542-2597. This position is located in our Meriden office. Equal Opportunity Employer.



ROLLINS HUDIG HALL

Worker's Compensation/Cost Containment

SENIOR CLAIMS CONSULTANT

National consulting firm, a leader in their field, seeks to hire a Medical Management Worker's Comp/Cost Containment professional. Prior experience should consist of either managed care provider, broker, national carrier or corporate risk management department. Position will assist a variety of national clients in their worker's comp managed care initiatives and can be based in either NYC, NY; Detroit, MI; Columbus, OH; Chicago, IL; Louisville, KY; or Indianapolis, IN. Relocation assistance possible. College degree with 7-10 years progressive experience, along with excellent presentation and communication skills required. Heavy travel. \$80-100,000 commensurate with experience. Please call, fax or send resume with salary history and geographic preference to Rich Meyers or Mike Tannenbaum at:

15 James Street, Main Level, Florham Park, NJ 07932
Call 201-765-9000 • Fax 201-765-9009

RMA RICHARD MEYERS & ASSOCIATES, INC.

In just one week, an advertiser received over 48 resumes when running a blind classified ad in the Professional Marketplace Section of Business Insurance. Put the power of Business Insurance to work for you! For details call...

312-649-5340 • FAX: 312-649-7799

Business Insurance

For the Record

Employers to evaluate Nashville hospitals

NASHVILLE, Tenn.—In yet another example of local health care reform, four Nashville employers are collaborating with 13 area hospitals to improve the quality and cost-effectiveness of each hospital.

Bridgestone/Firestone Inc., Gaylord Entertainment Co., The Kroger Co. and Food & Commercial Workers Union Local 1557, which provide health benefits to 29,000 employees and dependents, are sponsoring the three-year initiative.

Outcomes data for hospitals and physicians in the Nashville area were compiled by Iameter Inc., a San Mateo, Calif., consulting firm. Using a severity-adjusted outcomes measurement system, the employers were able to assess provider costs and outcomes for a number of common diagnostic categories.

The employers presented the results to representatives of the 13 area hospitals last month. Each hospital was able to look over its own confidential profile and compare it to its unidentified competitors.

The employers hope to convince the hospitals to incorporate the data into their own systems for further analysis, with the end goals of improving quality and lowering costs.

Other employers have conducted similar studies.

In 1992, four large Cincinnati companies compiled outcomes data and shared it with area hospitals and physicians in an effort to contain costs and improve quality by altering physician practice patterns (*BI*, April 12, 1993; Dec. 14, 1992).

Officials say NME deal won't end fraud fight

WASHINGTON—Clinton administration officials say that the \$379 million that National Medical Enterprises Inc. paid to settle fraud charges will not close the book on health care fraud investigations.

Justice Department officials said the investigation into the Santa Monica, Calif., psychiatric hospital chain was but one of some 1,500 health care fraud cases the Clinton administration is pursuing.

"Let the message be very, very clear: We've made health care fraud a major law enforcement priority, and we're going to pursue it as vigorously as we possibly can," asserted Attorney General Janet Reno at a recent press conference.

In addition to paying \$324.2 million in civil restitution and penalties and \$33 million in criminal fines, NME Psychiatric Hospitals Inc. will contribute \$2 million to the Department of Health and Human Services to support a children's mental health program and \$2.5 million to the National Institute of Mental Health.

NME officials also will plead

guilty to six counts of paying illegal remuneration for referral of Medicare patients and one count of conspiracy to make such payments.

The company also has reached an agreement in principle that 28 Medicaid plans do not owe \$16.3 million in disputed claims filed by its psychiatric hospitals.

The expected settlement costs are consistent with the company's earlier estimates, announced in April, when it reserved \$375 million for the anticipated resolutions.

The federal government settlement brings to about a half-billion dollars the amount NME has paid to settle charges of fraudulent billing (*BI*, Aug. 3, 1992).

Ten students awarded Spencer scholarships

NEW YORK—The Spencer Educational Foundation Inc. will award more than \$100,000 worth of scholarships this year to outstanding students of risk management and insurance/employee benefits.

Ten scholarships of \$10,000 each will be awarded to the following students:

Richard A. Becker, a graduate student at the University of Pennsylvania's Wharton School; Jaewook Chung, a doctoral candidate at the University of Wisconsin at Madison; Larry L. Colquitt, a doctoral candidate at the University of Georgia in Athens; Patricia A. Dumas, an undergraduate student at Southern Arkansas University in Magnolia; J. Owen Kanz, undergraduate student at The College of

Insurance in New York; Hunsoo Kim, doctoral candidate at Georgia State University in Atlanta; Kathleen A. McCullough, undergraduate student at St. Mary's University of San Antonio, Texas; Pascal Onillon, graduate student at Harvard Business School in Cambridge, Mass.; Mark G. Retik, graduate student at the Massachusetts Institute of Technology's Sloan School in Cambridge; and Donna M. Riley, undergraduate student at Temple University in Philadelphia.

In addition, the third annual Holwerda Memorial Award of \$3,938 will be presented to Mark G. Beilke, a doctoral candidate at Georgia State University. The Holwerda Award endowment was created in memory of the late Joseph G. Holwerda, a risk management executive with Premark International.

The Spencer Foundation was established in 1979 in honor of the late Robert S. Spencer, a former president of the Risk & Insurance Management Society Inc. Since 1980, the Spencer Foundation has awarded more than 140 scholarships to full-time students in risk management and insurance. It is administered by New York-based RIMS.

Michigan approves medical accounts

LANSING, Mich.—Michigan employers will soon be able to establish tax-favored medical savings accounts.

The State Legislature approved the medical savings accounts last

month. Several other states approved medical savings accounts earlier this year (*BI*, May 16), and the accounts were included in the health care reform bill passed recently by the House Ways and Means Committee (*BI*, May 27).

Michigan employers can put up to two-thirds of the annual cost of an employee's health plan—up to \$3,000 annually—into one of the accounts. Contributions up to \$2,250 would be free of state income tax.

The remaining one-third of the cost of the plan would go to pay for a high-deductible health care plan to cover catastrophic illness or injury.

Funds deposited in the accounts could be used for routine lab tests, doctor visits, prescription drugs and eyeglasses. Money remaining in the accounts at the end of the year could be spent or rolled over into the next year's account. Funds withdrawn for non-medical purposes would be subject to a 10% tax penalty.

Information in brief

California Insurance Commissioner John Garamendi has rejected the **Commercial General Liability Manual** filed by the Insurance Services Office Inc., which would have set guidelines on how commercial insurers write, rate and code policies. While acknowledging that pooling of historical industry loss data is legal, Mr. Garamendi said adopting ISO's manual would violate California's Proposition 103 by assisting in pricing decisions. **[E]**

Work comp

Continued from page 3

Panelists will discuss cutting-edge techniques for controlling workers comp health care costs and address concerns raised by congressional health care reform efforts.

The five speakers addressing the topic include: Dr. Stephen Dawkins, occupational health physician at the Occupational Health Institute International in Atlanta; John W. Roberts, manager-workers compensation at the University of California at Oakland; John Ryan, vp of Liberty Mutual Insurance Co. in Boston; Gregory Saxum, director of the workers compensation legal division at Eastman Kodak Co. in Rochester, N.Y.; and Cindy Zehnder, a Seattle-based international representative of the International Brotherhood of Teamsters Joint Council No. 28.

Thursday's second panel discussion will deal with "Disability Management." Moderated by David J. McLean, chief executive officer of Core Management Services at United HealthCare Corp. of Minneapolis, this session will focus on giving employers a better understanding of the dynamics of the disability system, how to integrate vendor services with internal programs and maintaining data management systems. Together, these steps can help manage increasing disability costs and improve the efficiency of existing programs.

Thursday's luncheon speaker, Allen Iampaglia, risk manager of the City of Glendale, Ariz., will talk about what he's doing to improve attitudes among the small percentage of his city's employees who are responsible for the majority of workers comp and health care claims.

Employees' attitudes directly affect whether they sustain job-related accidents, Mr. Iampaglia said.

A Thursday afternoon session will focus on how three employers are controlling workers comp costs.

Rachel Ebert, director of occupa-

tional health services at Marriott Corp., will present the first case study, titled "In-House Case Management Works."

The second study, "Carpal Tunnel Syndrome Cases Don't Have to Cost an Arm," will be a joint presentation by Lucille A. Gallagher, vp of risk management for the ConAgra Red Meat Cos. and Monfort Inc. in Greeley, Colo., and Gregory Worrell, director of ergonomics at Monfort.

A third presentation will be made by Kenneth Albrecht, risk manager at Frito-Lay Inc. in Plano, Texas, on "The Truth and Consequences of Combating Fraud."

Thursday's sessions will conclude with a panel discussion titled "Financing Alternatives for Workers Compensation: How to Evaluate and Decide Which Financing Method Is Right for Your Company." Panelists will discuss with moderator Ms. McIntyre innovative financing methods and offer advice on how to select the most cost-efficient options and their applications.

The panelists include: E. Randall Clouser, executive vp of Continental Risk Management Services Inc. in New York; Norman Hainlen, regional manager of AlexComp Consulting Corp. in Costa Mesa, Calif.; Richard Inserra, assistant treasurer at Union Carbide Corp. in Danbury, Conn.; and John Kessock Jr., chairman of Commonwealth Risk Management Services Inc. in Philadelphia.

On Oct. 21, the program will begin with a continental breakfast hosted by Continental Risk Management Services Inc. and will be followed by a panel discussion on "Dealing with Contested Claims."

Panelists will share tales from the trenches on contested claims, detailing what it takes to fight and win. The speakers will be: Susan England, partner at England, Hodik & Trevillion in San Diego; Ronald Guilfoile, risk manager for the City of St. Paul, Minn.; C. David Sullivan, senior vp at Kemper Risk Management Services in Long Grove, Ill.;

and Dr. John Warbritton III, a private practice physician in Oakland, Calif. The panel will be moderated by Meg Fletcher, associate editor of *Business Insurance* in Chicago.

The second panel discussion Friday will focus on a major area of concern: "Cumulative Trauma Disorders: Controlling the Workers Compensation Monster."

A system that can prevent costly claims from happening will be discussed by Charles Manzo, national director of claims at The Home Insurance Co. in New York, and Terez Recinas, occupational health coordinator at Authentic Fitness Corp. in Commerce, Calif. The session will be moderated by Patrick Venditti, director of Industrial Consultants Group Inc. in New York.

A third panel will explore the subject of "Establishing and Managing the Claims Audit Process."

Panelists Barry LaFleur, vp of Crawford & Co. in Atlanta, and Audrie Lawton, risk control consultant at AIGRM/American International Group in Texas, will provide detailed information on organizing and performing workers comp claims audits. Susan Werner, director of risk management at Hardee's Food Systems Inc. in Rocky Mount, N.C., will moderate the panel.

Friday's luncheon speaker is Douglas McCoy, resident vp of commercial lines at The Travelers Corp. in Atlanta. He will share from his own experience the educational financial assistance often needed by children of workers severely injured or killed in job-related accidents.

The final conference session will focus on "Applying Total Quality Management to Workers Compensation: Utilizing Benchmarking to Streamline the Workers Compensation Process." Panelists will identify inefficient, non-productive and duplicative processes that must be changed to help control these costs.

Moderated by Ms. McIntyre, the panel will include: Charles Armstrong Jr., manager-corporate risk management at Xerox Corp. in

Stamford, Conn.; Thomas Henderson, corporate risk manager at Texas Instruments Inc. in Dallas; Michael Levin, a consultant at Towers Perrin/Tillinghast in Chicago; and Joel Myers, president-National Accounts Business Unit at Zurich-American Insurance Co. in Schaumburg, Ill.

"The format for each session will vary from true panel discussions to individual speeches," Ms. McIntyre said. "Regardless of format, the audience will be encouraged to address their questions to the speakers."

The registration fee for those who register by Aug. 15 is \$695, with a

\$200 discount for risk managers, employee benefit managers and safety managers. After Aug. 15, there will be a \$100 increase in the fee.

Fees include continental breakfasts, lunches, refreshments, receptions and the conference workbook.

To register for the conference, contact International Business Forum at 7 Penn Plaza, 370 Seventh Ave., Ninth Floor, New York, N.Y. 10001; 212-279-2525; fax: 212-279-9307.

Information on table exhibits is available from Julie Tarsi, while co-sponsorship information is available from Julie Lane, both of IBF. **[E]**

Comings & Goings: Buyers

New benefit manager at Walt Disney Co.

Philip Christianson has been named vp-employee benefits for the Walt Disney Co. in Burbank, Calif. Mr. Christianson, 38, reports to Sanford M. Litvack, executive vp for law and human resources. He is responsible for design, development, implementation, administration and communication of Disney's benefit programs. He was director of employee benefits for Phillips-Van Heusen Corp. in New York and, prior to that, manager of group benefits for the Times Mirror Co. in Los Angeles. He holds a bachelor's in history from California Polytechnic State University in San Luis Obispo, an M.B.A. from the University of Southern California in Los Angeles and a law degree from Loyola Law School in Los Angeles. * * *

Jay H. Bach Jr. has been named director of insurance for Lease America Services Inc. in Boca Raton, Fla. He was hired in 1993 to

develop an insurance program for the employee leasing firm, which was founded in 1991 in Charleston, S.C. He reports to President Gerald Rhodes and Vp Maria Rhodes. Mr. Bach oversees the program, including claims, workers comp and general and auto liability. He previously handled insurance for General Rent-A-Car of Hollywood, Fla., which in 1993 was bought by Chrysler Corp. and folded into another company. Mr. Bach, 53, holds an associate's degree in casualty and property claims law from the American Educational Institute in Basking Ridge, N.J. He is a licensed Florida adjuster for all lines and a deputy member of RIMS.

We'd like to report staff changes in risk management, safety and employee benefits. Send notes to Sara Marley, Associate Editor, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611-2590, or call 312-649-5313.

Cooperstone joins A&A from Travelers

Elliot S. Cooperstone, has been named senior vp-operations and administration at Alexander & Alexander Services Inc. in New York.

Mr. Cooperstone, who formerly was an assistant to Frank G. Zarb at The Travelers Co., will once again report to Mr. Zarb, who took over as chairman, president and chief executive officer of A&A last month (BI, June 13).

Also at A&A, **David N. Thompson** joined Alexander & Alexander Inc. as senior vp and director of its association/program unit in Chicago. He previously had been president of his own consulting firm in Chicago after resigning as president of Crum & Forster Managers Group.

In other agent/broker changes:

Karen Ramos promoted to senior vp at Rollins Hudig Hall Co. in Chicago. Also at RHH: **Martin F. Frank** joined RHH's major account brokerage division as senior

vp in San Francisco. He previously was with Marsh & McLennan Cos. Inc. in Los Angeles; **Donald B. Davidson** joined RHH of Illinois Inc. as executive vp-business development; and **Joseph P. Aubin** promoted to senior vp-client services at RHH of Michigan in Detroit.

Charles D. Morgan joined Willis Corroon Corp. of Michigan as vp in its construction industry division. He previously managed the construction unit at Marsh & McLennan Cos. Inc.

Peter Bostwick named senior vp at Johnson & Higgins in Rochester, N.Y. Also at J&H: **Donald E. Boone** and **Thomas L. Wiegand** elected senior vp in Minneapolis; **James E. Kelly** and **Jeffrey D. Ver-rill** elected vp in Portland, Maine; and **Steven Wiens** named vp and client manager for the Costa Mesa, Calif. office.

Allan Keller named president and chief executive officer of

Comings & Goings: Industry

Hogg Robinson of California.

Ernest J. Newborn, Jr., appointed vp, general counsel and corporate secretary at Acordia Inc. in Indianapolis.

Jeffrey R. Zito named senior vp and sales manager at Sedgwick James of North Carolina in Charlotte.

Insurers

David Drury, president of The Principal Financial Group, has assumed the additional post of CEO. Mr. Drury succeeds **G. David Hurd**, who will continue as chairman until his retirement at year end. Also at The Principal, **Mike Gersie** named senior vp and **Craig Barnes** named vp.

James Macdonald named executive vp in the specialty operations group of Continental Insurance Corp. in New York.

Kenneth Master named senior vp and manager of the professional liability division at Cal-Surance Cos. Inc. in Orange, Calif.

Roger J. Consolla joined The Home Insurance Co. as senior vp-middle market casualty. He previously was senior vp and chief underwriting officer at Crum & Forster Commercial Insurance in New York. Also at The Home: **George M. Reider Jr.** will join the company July 18 as executive vp-claims and loss control. Mr. Rei-

der, who formerly was acting vp-Property & Casualty Group at Aetna Life & Casualty, will succeed **Michael J. Conroy** at The Home, who will resign Aug. 1.

Kevin Means named vp-chief of equities and **Neil Kochen** named vp-fixed income at Aetna Life Insurance & Annuity Co., a unit of Aetna Life & Casualty Co. in Hartford, Conn.

John M. Sawyer named vp-disability insurance at The Guardian Life Insurance Co. in New York.

Richard J. Rosania named vp-product development and management at Empire Blue Cross and Blue Shield in New York.

Arthur B. McHugh named president and CEO of Connecticut Specialty Insurance Group, the specialty property/casualty insurance programs unit of Orion Capital Corp. in New York.

Karen Schievelbein named senior vp and chief financial officer of Blue Cross of California in Woodland Hills.

Charles E. Bancroft named president and CEO of Pace American Group Inc. in Tucson, Ariz. Mr. Bancroft succeeds **Frank J. Barrett** who was interim CEO and continues as vice chairman.

Elizabeth M. Dinnin named vp-commercial accounts for the Midwest Region in Chicago of the Hartford Steam Boiler Inspection & Insurance Co. Ms. Dinnin previously was at Fireman's Fund Insurance Co. in Chicago, where she served most recently as branch manager and business development manager and was responsible for underwriting, sales and operations.

Reinsurance

Steven Carlsen joined Bermuda-based Centre Cat Ltd. as senior vp and chief underwriting officer for North America. Previously, he was vp and property treaty manager for NAC Reinsurance Corp. in Greenwich, Conn.

J. Michael Garrity joined Los Angeles-based reinsurance intermediary G.J. Sullivan Co. Reinsurance as a senior vp in its Chicago office. Previously, he was senior vp at Aon Reinsurance Agency. Also at G.J. Sullivan: **Anthony I. Joseph** named a vp in Los Angeles; **David W. Rademaker** named a vp in Chicago.

John C. Sullivan joined the New York office of Willis Faber North America Inc. as a vp. Prior to joining Willis Faber, Mr. Sullivan was vp-business development at Guy Carpenter & Co. Inc., M&M's reinsurance brokerage operation.

Jack B. Lay appointed executive vp and chief financial officer at Reinsurance Group of America Inc., a General American Life Insurance Co. unit in St. Louis.

Tara Leonard named vp and group controller at Centre Reinsurance (Bermuda) Ltd.

Kenneth C. Sherman named senior vp at Enhance Financial Services Group Inc. in New York.

Excess/surplus

Bradford L. Baxley joined Swett & Crawford in Dallas as vp and manager of the energy department. He previously was vp at Alexander Howden in Dallas.

James M. Watson joined R.E. Lee Intermediaries as senior vp-marketing in Newport Beach, Ca-

lif.

Bryson Associates Inc. in Jenkintown, Pa., a unit of Aon Corp., made several new management appointments: **James H. Bryson** named chairman; **Daniel P. McDonnell** named president; **Margaret C. Caviston** named managing vp in New York; **Kevin M. McLaughlin** named senior vp in New York.

Other suppliers

Gregory L. Johnson joined Ernst & Young as director of its workers compensation consulting services in San Francisco. Previously, he managed the workers comp insurance practice for National Medical Audit, a unit of William M. Mercer Inc.

Clark E. Slipper joined Milliman & Robertson Inc. as a consulting actuary in Milwaukee.

Patricia D. Hogan named vp at Sedgwick Noble Lowndes in Portland, Ore., with responsibilities for the sales and servicing of employee benefit programs.

Grover E. Czech joined the law firm of Holland & Knight in Washington specializing in regulatory and legislative law surrounding insurance issues.

Randall Hedlund joined Continental Risk Management Services as vp in its production group in Atlanta. Previously, he was a branch account executive at CIGNA Corp.

Warren Coupland named chairman and CEO of GAB Business Services Inc. and sector chief executive of the insurance services division of Societe Generale de Surveillance Holding S.A.

Rich Hallworth named vp and chief financial officer of Tufts Associated Health Plans, a managed care organization based in Waltham, Mass.

Lawrence O. Monin joined the law firm of Ropers, Majeski, Kohn, Bentley, Wagner & Kane specializing in reinsurance and insurance corporate and regulatory law in San Francisco.

Jay S. Miranda named vp-sales and marketing at PacificCare of Florida, a Coral Gables-based managed care firm.

Kandis Larkey named senior vp-business development for the new business development unit of CareAmerica Health Plans, a Chatsworth, Calif.-based non-profit health care systems firm. [B]

IN THE MATTER OF STETZEL THOMSON & CO. LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1985

Notice is hereby given that the Joint Liquidators of the above named Company (which is being voluntarily wound-up) will distribute (in accordance with the provisions of an Order of the High Court dated 16th May 1994) the assets held by the Company without regard to any claims by way of debt, trust, restitution claims to return of premium or otherwise against the Company or any assets held by it (including the syndicate fund) unless full particulars of such claims are notified in writing to the Joint Liquidators of the Company at BDO Binder Hamlyn, 20 Old Bailey, London EC4M 7BH England by no later than 22nd August 1994.

Claims need not be made by persons who have already had receipt of their claim acknowledged by the Joint Liquidators.

THE 1994 GIC ASSOCIATION NATIONAL FORUM

The 1994 GIC Association National Forum

October 16 - 18
The ANA-Westin Hotel, Washington, D.C.

Presented in conjunction with IBF • International Business Forum

The program will address areas concerning the stable value industry: including quality, ratings, new investment vehicles and governmental concerns.

Discussions will also focus on the future of the industry and how GIC providers and plan sponsors can meet the challenges in this rapidly changing environment.

To obtain more information,
please call International Business Forum
at 212-279-2525.

"Be sure that you return it."

If you're racing through this issue of *Business Insurance* because you "borrowed" it from a colleague, you should have your own subscription. Then you'll be first on the list. You can take as much time as you like with all of *Business Insurance's* exclusive worldwide news of loss prevention, risk financing and benefit management every week.

To subscribe, use the card in this issue
or Call 1 (800) 678-9595 Toll-Free.

Ask about our special 20%-off group subscription rate for five or more subscriptions. A great way to save money. And avoid pass-along problems.

Subscription Rates in U.S. Dollars for 1 year, 52 Issues.

	Surface Mail	By Air
USA	\$80	\$175
Canada	\$126*	\$198*
All other countries by expedited air.		\$200

*Price includes Canadian GST.

Business Insurance.

Subscription Dept.
965 E. Jefferson
Detroit, MI 48207

ADVERTISER INDEX

Issue of July 11

Advertiser	Page #
American International Group, Inc.	24
Ameritas Life Insurance Co.	9
Brownyard Group	6
Business Insurance	6,14,20
Cover X	4
Kemper National Insurance Cos.	10
Mutual Marine Office, Inc.	10
Reliance National	7
Reliance Reinsurance Corp.	12-13
Skandia America Group	11
Stetzel Thompson & Co., Ltd.	20
Wausau Insurance Company	5

Reform

Continued from page 1

"I just can't handicap an employer mandate. It still is a big unknown," said Stuart J. Brahs, vp-federal government relations in the Washington office of The Principal Financial Group.

There is yet another unknown: if Congress does pass a health care reform bill that does not include an employer mandate or achieve universal coverage, will President Clinton sign the bill? The betting at this stage is that despite his earlier promise to veto any bill that did not assure universal coverage—President Clinton is likely to sign legislation that falls short of that goal.

Simply put, benefit lobbyists say, the president will reap considerable political advantages if he signs a stripped-down bill.

"If President Clinton signs a bill, he can say that the bill—even if it doesn't include everything he wants—is an important down payment on health care reform and that more Democrats need to be elected to assure" universal coverage, said James Klein, executive director of the Assn. of Private Pension & Welfare Plans in Washington.

But if the president vetoes a reform bill, trying to reap any political advantage would be tough. Attempts to blame Republicans, for example, would be difficult since a number of Democrats almost certainly would support a final bill that doesn't include an employer mandate or universal coverage.

These predictions come as one stage in the drive to enact health care reform legislation—congressional committee consideration and passage of bills—has ended and the next stage is about to begin.

During that next stage, which has already begun, House and Senate Democratic leaders will take provisions from different bills that have been passed by four committees and meld those provisions into bills to be considered by the full House and Senate. Floor debate is likely to start by the end of the month.

In the House, debate will be sharply limited and only a few amendments will be allowed. By contrast, the debate in the Senate could go on for weeks with perhaps hundreds of amendments proposed.

For example, despite a lack of in-

formation on whether it could be practically implemented, the Senate Finance Committee passed an amendment by Sen. Bill Bradley, D-N.J., that would impose a 25% tax on employers and insurers offering "high-cost" health insurance plans.

At the same time, because the health care reform measures are so huge, many potential benefit bombshells have slipped through without any discussion.

For instance, while the Senate Finance Committee bill does not require employers to pay for group health care plans, it does set stringent and far-reaching contribution standards for employers that voluntarily offer coverage.

Buried in the proposal is a provision that would require employers now offering health care plans to pay the same percentage of premium or the actual dollar amount for all "full-time" employees.

The measure defines full-time em-

ployees as those working at least 24 hours a week, which is a lower threshold than many employers now use. That would force thousands of employers to significantly boost their contributions.

In addition, except in very limited situations, employers with different lines of business could not vary the contributions for each operating unit. Employers now often vary contributions by line of business based on competitive pressures.

Some provisions, nearly all entailing higher costs for employers, are almost certain to be included in the reform bills to be taken up by the House and Senate.

Those provisions include:

- New federal taxes on health insurance premiums. Both congressional panels with jurisdiction over taxes—the Senate Finance and House Ways and Means Committees—have included premium taxes in their health care reform measures. The Fi-

nance Committee bill would set the tax, which also would apply to self-funded plans, at 1.75%, while the Ways and Means Committee bill would set the premium tax at 2%.

- Maintenance of effort. The Ways and Means Committee bill would require employers to maintain for five years health care benefits that currently exceed the bill's mandated set of benefits. The measure also would require employers now offering health care benefits to early retirees under age 65 to continue those benefits until the retirees were eligible for Medicare.

The maintenance of effort provision included in the Senate Finance Committee bill is more limited. The vaguely worded provision would require employers offering health care plans to continue coverage only for employees' children.

Comparable provisions are not included in the two bills passed by the congressional labor committees.

Some maintenance-of effort provision is expected in the bills that will be considered by the full House and Senate because of congressional concerns that employers could scale back coverage during a transition period in which health care legislation is enacted but not yet in effect.

- Flexible benefit plans. All four reform bills passed by the congressional panels include provisions curbing flexible benefit plans. That makes inclusion of an anti-flex provision in the House and Senate bills a virtual slam dunk.

But the House and Senate are likely to take different approaches in limiting flexible benefit programs. The Senate bill is expected to include a Finance Committee provision that would only ban flexible spending accounts used by employees to make pretax contributions to pay for uncovered medical expenses, like deductibles or health care benefits that employers don't offer, like vision care. The bill is expected to leave intact full-fledged flexible benefit programs in which employers provide workers with so-called flex dollars or flex credits to be used toward purchasing different benefit options.

By contrast, the House is expected to ban all types of flexible benefit plans used to finance health care coverage.

- Curbing self-funding of health care benefits. Since all the reform measures approved by the congressional panels have set floors—based on number of employees—that employers must exceed to self-insure, the only question is where the floor will be set in final legislation.

The betting is that the self-funding floor will be set at about 100 employees, which is the minimum specified in both the Ways and Means and Finance Committee bills, rather than the 1,000-employee minimum called for in the House Education and Labor Committee bill.

The bills considered by the House and Senate also are expected to include variants of committee-passed measures that would increase penalties on employers that improperly deny health care benefits to employees and make it more difficult for managed care vendors to exclude providers from their networks.

In addition, experts see only a slight chance that meaningful medical malpractice reform provisions will be included in either the Senate or House bills. **[B]**

Reform bill races through Finance

WASHINGTON—The Senate Finance Committee generally approaches matters of the purse with deliberation. But, when faced with health care reform, the panel that usually resembles a tortoise suddenly became a hare.

In just three days, it debated, amended and approved a complex bill offered by Committee Chairman Daniel Patrick Moynihan, D-N.Y. Things moved so quickly that Sen. Bob Dole, R-Kan., said he wasn't certain exactly what was in the bill.

One thing is certain, however. The bill the panel approved by a 12-to-8 vote on July 2 is as notable for what it would not do as for what it would do.

Most significantly, the bill would not require employers to pay any employee health expenses. Instead, it adopts a "trigger" approach: If 95% of the population is not insured by the year 2002, a national commission would recommend ways to expand coverage. Congress would then consider those ideas on a fast-track schedule that would limit debate.

Also, the bill would not allow states great flexibility on financing health care reform or setting their own standards. Instead, the bill itself would pre-empt many state laws.

Initially, though, the proposal would have let states impose special taxes or surcharges on employer health plans. Several courts have struck down such surcharges as violating the pre-emption provisions of the Employee Retirement Income Security Act.

An amendment by Sen. David Durenberger, R-Minn., to eliminate the provision allowing states to tax health plans initially died on a 10-to-10 vote. A few minutes later, Senate Majority Leader George Mitchell, D-Maine, reopened the vote and voted for the

amendment in an effort to keep Sen. Durenberger's support for the overall bill.

The committee rejected a 1% payroll tax on employers with 500 or more employees to help pay for extension of coverage. But then it appeared to undo its work by reinstating the tax for large employers whose plans are not community-rated.

Benefit experts say they need to see legislative language—now being developed—to be sure that the 1% payroll tax definitely was knocked out.

The committee bill also would let employers with more than 100 employees, Taft-Hartley plans with more than 500 participants and certain qualified association plans self-insure group health programs. As introduced, the measure would have barred employers with fewer than 500 employees from self-insuring.

The committee's bill would wipe out one type of flexible benefit program: flexible spending accounts. Other flexible benefit programs, like so-called full-fledged flex plans—in which employees use flex "dollars" or "credits" to buy different health plan benefit options—could continue. An amendment to allow medical savings accounts was defeated in committee.

High-cost health plans would be subject to a 25% excise tax on the difference between the actual charges of the plan and a target set by the Internal Revenue Service. The target would be set so that 40% of the plans in a yet to be determined area would be subject to the tax. The tax would be paid by insurers or employers offering self-funded plans.

Detailed language is needed to see exactly how this provision, proposed by Sen. Bill Bradley, D-N.J., would be implemented, benefit experts say.

—By Mark A. Hofmann

Title X

Continued from page 1

woman for the American Insurance Assn., which belongs to the coalition.

Title X of the president's reform plan essentially calls for integrating workers comp medical care with general medical care under a reformed health care system.

Title X also would set up a commission to explore the feasibility of total integration of workers comp with group health care coverage (BI, Oct. 18, 1993; Sept. 20, 1993).

Versions of the proposal are in two of four major bills to be considered by lawmakers in the coming weeks.

To reach employers, the industry coalition this week is launching an advertising campaign in major newspapers nationwide, a direct mailing campaign to 60,000 people and is opening a nationwide hot line.

The hot line—1-800-829-0071—will link callers with the district offices of their legislative representatives, so they can directly air their views on Title X.

The Alabama Retail Assn. has already volunteered to push the

anti-Title X message to its seven congressmen and two senators, said Charles McDonald, president of the Montgomery, Ala., business group.

To increase its clout, the association formed a council of 14 other associations that sell workers comp insurance to members.

"If there is a merger of medical, we are firmly convinced our costs would go up," Mr. McDonald explained.

Title X opponents say they are "encouraged" by the outcome of legislative debate thus far.

Proposals that would change how workers comp medical care is delivered survive in only two of the four major bills that have been passed by congressional committees, said Tom O'Day, associate vp with the Alliance of American Insurers.

Neither the Senate Finance Committee nor the House Ways and Means Committee discussed changing workers compensation, though labor committees in both the House and Senate did include versions of Title X in bills they passed.

"I think it's notable that the Finance Committee ducked the issue of workers comp completely," said Robert Laszewski, president

of Health Policy & Strategy Associates, a consulting firm.

"Outside of the labor committees, there is not a lot of momentum to push for workers compensation provisions," said Nancy Fulco, a human resources attorney with the U.S. Chamber of Commerce.

In the congressional labor committees, "things got better for us in the Senate bill and worse in the House bill," said Joel Wood, vp-government affairs for the Council of Insurance Agents & Brokers.

The Senate Labor and Human Resources Committee adopted a "watered down" version of Title X that would increase reporting requirements for health care providers treating workers comp claimants.

In addition, some say the Senate committee took steps to neutralize the commission's pro-merger orientation by requiring that membership be bipartisan and pushing the deadline ahead to 2000 from 1995.

At least partial credit for that action should go to the Employers Coalition on Workers Compensation, said Ms. Fulco. The ECWC was formed in April by the National Assn. of Manufacturers and other employer groups like the

U.S. Chamber to oppose including workers comp in health reform efforts (BI, April 11). The ECWC is working with the new insurance industry coalition.

On the other hand, the House Education and Labor Committee adopted nearly all of Title X, plus an amendment that would put the commission on a fast track. But, that committee is considered "so far to the left" that its action is "irrelevant," said Mr. Laszewski.

Apart from the House Labor Committee's bill, "the trend is to eliminate Title X, or to make it more palatable," said Thomas Clarke, a managing director at Marsh & McLennan Inc. in New York. He is also chairman of the National Assn. of Insurance Brokers' Workers Compensation Committee.

"I don't think there is a lot of support for Title X in Congress," said Debra Ballen, the American Insurance Assn.'s senior vp of policy development and research. However, there are many factions on the issue and the industry-based coalition is focusing on lobbying moderate Democrats at this time.

"No one will go to the mat to include workers comp," Mr. Laszewski said.

In a related development that addresses opponents' concerns about cost-shifting, an amendment to the House Ways and Means bill would prevent health care providers from charging property/casualty insurers—like those that write workers comp coverage—more for the same services than they would charge the patient's health insurance plan.

"It's a good amendment. One that businesspeople and insurers will be happy with, if it survives the process," said the Alliance's Mr. O'Day.

The issue has remained alive because many legislators do not understand workers comp, which is regulated by the states. Also, the concept of 24-hour coverage is "very appealing at first blush. It's a sexy concept," said the Council's Mr. Wood.

Labor interests are also working to keep the issue alive, though they have had only mixed success even in the labor committees.

"I wish I could be as optimistic—as the opposition is pessimistic—about the chances of workers comp being included in any meaningful fashion," said James Ellenberger, assistant director for the AFL-CIO's department of occupational safety and health. **[B]**

Merrett

Continued from page 1

ject" is "well advanced," but states that key issues, such as the final business mix and some policy wording and accounting issues, are yet to be settled.

Also undecided: where the company will be located. Mr. Merrett says in the letter that it could set up either within Lloyd's, the London Underwriting Centre or "elsewhere in a position very close to Lloyd's and the LUC."

He said he welcomes brokers' views on which location would best suit their needs.

This is not the first time Mr. Merrett has considered underwriting outside of his historic base in Lloyd's, and U.S. insurers, brokers and investment bankers have figured prominently in previous schemes.

In January 1993, Merrett Holdings created Underwriters Capital (Merrett) Ltd. in Bermuda to provide the group's then active nine Lloyd's syndicates with capacity through quota share reinsurance.

The \$70 million company was set up with the backing of Marsh & McLennan Risk Capital Corp., a unit of Marsh & McLennan Cos Inc., and J.P. Morgan Capital Corp. (BI, Jan 18, 1993).

But Underwriters Capital was denied the chance to play a major role in the future of the Merrett syndicates as members' agents pulled capacity.

In October of last year, as the capacity crisis worsened, Merrett confirmed that it planned another venture, again with the assistance of Marsh & McLennan Risk Capital and J.P. Morgan.

Merrett planned to create a new company called NewMA that would take over the assets but not liabilities of MUAM. Travelers Corp. was to hold a 51% equity interest in the company and M&M, Morgan and Merrett employees were to hold the other 49%.

Underwriters Capital was to have provided capital to the new company, which Merrett said it would have set up outside of Lloyd's if regulatory approval had not been forthcoming.

Plans for that company col-

lapsed in November after Primerica Corp., which was then in the process of acquiring Travelers, reportedly told the insurer to concentrate on its current business (BI Nov. 22, 1993).

Merrett was forced to cease active underwriting in the Lloyd's market this year because of lack of support from members agents (BI, Dec. 6, 1993).

In February, the group confirmed that it plans to recommence active underwriting but no further details emerged (BI, Feb. 28, 1994).

Robert Clements, chairman and chief executive of M&M Risk Capital Corp., would not comment on whether the broker is involved in Merrett's return to underwriting. Earlier this month, Marsh & McLennan Risk Capital announced the startup of Trident Partnership L.P., an insurance and reinsurance investment vehicle capitalized at \$650 million (BI, June 13). M&M's general partners in Trident include J.P. Morgan & Co., Mid Ocean Ltd. and The Byrne Partnership, headed by John J. Byrne. **BI**

Vermont

Continued from page 2

lated state rules or to be incompetent or untrustworthy.

The insurance commissioner also can order changes in the contracts between such agents and risk retention groups, or order that those contracts be terminated or suspended.

Vermont made a bid for accreditation last year, but the NAIC broke off the process after an examination team visiting the state informed Vermont officials the state wouldn't be accredited if it didn't comply with provisions of the NAIC's model law (BI, Sept. 27, 1993).

Steven T. Foster, Virginia's insurance commissioner and chairman of the NAIC's Financial Regulation, Standards and Accreditation Subcommittee, noted that the NAIC doesn't concern itself with captives in the accreditation process, though it does look at how states regulate risk retention groups.

Typically states regulate risk retention groups as they would a licensed property/casualty insurer. Vermont, though, treats them as captives.

"Our concern is that they choose to permit their risk retention groups to enjoy the regulatory benefits of being a captive rather than a licensed P/C company," Mr. Foster said.

Mr. Foster said he has not seen the final Vermont legislation, passed as the state's legislative session drew to a close in mid-June.

The NAIC had received a preliminary version of the bill earlier in the year, however, and Mr. Foster said he assumes the final bill's language "was drafted to reflect substantially what the NAIC model would be."

"We are talking with the NAIC. Our object is obviously to work with them," said Elizabeth R. Costle, who is Vermont commissioner of banking, insurance and securities.

"I'm optimistic. We're all basically for the same thing, which is good regulation. We've had some differences as to what constitutes good regulation," Ms. Costle added.

While agreeing that Vermont's approach differs in some respects from the NAIC model, Ms. Costle thinks it's important to note that a

captive approach to regulating risk retention groups relies heavily on prior approval.

"I think (Vermont law) is structured a little bit differently from the NAIC model, but it does the job," the Vermont insurance commissioner said.

Skandia's Mr. Chaffee observed that the changes in Vermont's risk retention group regulations are something "most of us can live with."

Ms. Costle said she doesn't think the changes will have much of an effect on RRG formations in Vermont.

One area in which Vermont's approach continues to differ from the NAIC model is in specifying

The NAIC's primary concern in considering a state's accounting method, Mr. Foster explained, isn't to force a state into using a cookie cutter approach to financial reporting, but rather to make sure that annual report numbers are comparable from state to state.

"In Virginia, we would never attempt to apply our solvency standard to a Vermont risk retention group," Mr. Foster said. "(But) when you see what the surplus is, we need to understand whether that's on a GAAP basis or a statutory basis and what's the difference."

It is possible to make the numbers translate from one method to

'I think a lot of us in Vermont were feeling shoved around by the NAIC and resented it somewhat, given that we have a pretty good track record of risk retention group regulation here,' says Skandia's George A. Chaffee.

use of generally accepted accounting principles as the approved method for risk retention groups' financial recordkeeping.

"That would be our biggest stumbling block, because GAAP is not the accepted standard for the NAIC," said Vermont's Mr. Crouse.

The NAIC model does call for financial reporting on a statutory accounting basis, but the issue might not be an insurmountable one, Mr. Foster said.

"That may or may not be a problem," he said, noting that the NAIC has been working with Vermont insurance officials and others "to establish what common ground there is between GAAP and SAP."

"To some extent, every state has a little bit different statutory accounting," Mr. Foster said. How the NAIC views Vermont's acceptance of GAAP-based accounting for risk retention groups, he added, will depend on how Vermont's method fits in with guidelines set out in the NAIC Examiner's Handbook.

"Vermont has made some strides," Mr. Foster said. "There was a time that their risk retention groups didn't have to file any annual statements. Certainly an annual statement is better than no annual statement."

another, Ms. Costle said.

"We allow GAAP accounting," she said. "But you can make it transparent so that if somebody wanted to look at it from a SAP point of view they could do that as well."

While there is no definite timetable for Vermont to make another attempt at NAIC accreditation, Ms. Costle said she anticipates that the state will undergo another NAIC pre-accreditation review some time later this month.

The state then hopes to secure accreditation by the end of the year.

"The ball's in their court," Mr. Foster said, confirming that Vermont has requested another preliminary site review. "I assume we'll go back and look and see where they stand."

While the NAIC will have to fit a full accreditation review for Vermont into a crowded schedule of such examinations over the rest of the year, the subcommittee chairman said he's sure the organization can get it done if that's what Vermont wants.

"Certainly if they're ready within the course of 1994 the NAIC will be ready to go in and look at it," Mr. Foster said.

The NAIC to date has accredited 36 states. **BI**

Updates

Ad spoofs 'Harry and Louise'

WASHINGTON—The advertising wars over health care reform legislation continue to rage.

The Democratic National Committee last week introduced a new ad, which pokes fun at "Harry and Louise," the fictional couple whose concerns about the Clinton administration's health care reform proposal infuriated the White House.

In the spoof, Harry has lost his job and is in a body cast after an accident. Louise, whose arm is in a sling, reminds Harry of his critical comments about the administration's promise of health insurance for all. "You said you'd never lose your job so we would always be covered. You said, 'What would we do when the government runs out of money?' Well, who's out of money now, Harry!" Louise asks.

The 30-second TV spot, which was created by Harry Thomason, a Hollywood producer and friend of the Clintons, is airing in New York and Washington. The "Harry and Louise" ads were sponsored by the Health Insurance Assn. of America.

Dispute in sex abuse award

SAN FRANCISCO—A coverage dispute may loom after a San Francisco woman was awarded \$7.1 million by a Superior Court jury in a sexual abuse case involving her psychiatrist.

The award is the largest verdict of its kind in the country, said John D. Winer, the San Francisco-based attorney for the plaintiff, Francine Rahn. She charged that she was psychologically and sexually abused for 10 years by her psychiatrist, Dr. Paul Lowinger, with whom she had an affair. Mr. Winer said for five years Dr. Lowinger also prescribed Didrex, a highly addictive and toxic diet pill that is usually taken for only brief periods, and Ms. Rahn suffered severe cognitive damage as a result.

Dr. Lowinger served eight months in prison and paid a \$15,000 fine after conviction in 1992 on a variety of charges, including felony grand theft and a misdemeanor charge of having sex with patients.

Mr. Winer said Dr. Lowinger had a 1986 claims-made professional liability policy with a \$2 million limit from San Francisco-based Norcal Mutual Insurance Co., which has denied coverage on the grounds that sexual misconduct is not covered under the policy. Norcal has filed for declaratory relief action on the issue, which had been stayed pending the outcome of the case, Mr. Winer said.

He said because Norcal refused to make a settlement offer before the trial, under California law if coverage is found under the policy, the \$7.1 million award can be boosted to \$8.5 million by prejudgment interest and Norcal would be obligated to pay the judgment.

A Norcal spokesman said the insurer has no comment.

Florida legislation challenged

TALLAHASSEE, Fla.—A Florida law aimed at recouping the state's Medicaid costs from the manufacturers and retailers of illness-causing products has been challenged in court.

Philip Morris Cos. Inc., Publix Supermarkets Inc., the National Assn. of Convenience Stores and Associated Industries of Florida filed suit in Leon County Circuit Court on June 30, one day before the law took effect.

Part of Medicaid fraud legislation, the law allows the state to sue companies on behalf of Medicaid recipients for particular ailments caused by the manufacturers' products.

The suit claims the law is unconstitutional and was forced through the Legislature by a powerful trial lawyers' lobby.

Florida's statute prohibits arguments that some of the blame for the illness lies with smokers and implements joint and several liability as well as liability based on market share (BI, May 9).

No specific industry is named in the law, but Gov. Lawton Chiles has said it will be used only against tobacco companies.

Meanwhile, a new study by the federal Centers for Disease Control says that smoking-related illnesses cost the nation about \$50 billion in medical treatment last year, including \$29 billion for hospital care. The cost of smoking-related illnesses in 1993 for publicly funded health programs was \$22 billion. The report notes that smoking cost private health insurance plans, including employer plans, nearly \$17 billion.

Briefly noted

The Chicago Housing Authority says it may have insurance for only \$1 million of \$12.5 million in possible pension fund losses resulting from an allegedly fraudulent investment scheme run by the authority's risk and benefits manager (BI, June 27). The CHA's wrongful acts coverage is through the Housing Authority Risk Retention Group, domiciled in Vermont. . . . Provisional liquidators for the KWELM companies are expected to declare their first dividend payment to creditors this week under schemes of arrangement introduced after the companies stopped underwriting in 1990. . . . Standard & Poor's Corp. has affirmed 20th Century Insurance Co. and 21st Century Casualty Co.'s 'B' claims-paying ability rating, as well as the 'CCC' credit assessment rating of the insurers' parent, 20th Century Industries. S&P cited the company's \$600 million reinsurance program and its \$175 million loan agreement (BI, July 4). . . . Alexander & Alexander Services Inc. will take an approximately \$6 million charge in the second quarter to cover premiums and deductibles associated with the reinsurance it obtained to protect it from liabilities stemming from the 1987 sale of Sphere Drake Insurance Group. . . . New York's Insurance Department expects to obtain administrative approval to change its eligibility requirements for surplus lines insurers, which may allow four well-capitalized syndicates of the Illinois Insurance Exchange to write coverage there. . . . A.M. Best Co. has lowered the claims paying ability rating of Hartford Steam Boiler Inspection & Insurance Co. in Hartford, Conn., to A+ from A++. Hartford's surplus has eroded over the past several years due to catastrophe losses, Best said.

USAir crash

Continued from page 1

- Assurance France Aviation of Paris, 10%.
- Speedbird Insurance Co. Ltd., a Bermuda captive owned by British Airways, 9.5%.
- AIG Aviation Inc., a unit of American International Group Inc., 5%.
- AXA Marine & Aviation U.K., 2%.
- Somerset Aviation Inc. of New York, 1%.

That program is very similar to the one USAir had in place in 1992, when one of its jetliners crashed after trying to take off in a snowstorm at LaGuardia Airport in New York.

Twenty-seven people died in that crash (BI, March 30, 1992).

Although USAir recently switched brokers to Sedgwick James Inc. from Alexander & Alexander Inc., it was A&A that handled the air-

line's February renewal.

A USAir spokesman said the airline was also fully insured for the \$5.4 million value of the hull of the McDonnell-Douglas Corp. DC-9-30, which began flying in 1973.

AAU leads USAir's fleet coverage. London insurers also have a small portion of the coverage, but "probably no more than 5% to 10%" of the program, said a London broker.

USAir, Sedgwick James and A&A all refused to provide more coverage details.

Since 1992, La Compagnie des Assurances Maritimes et Terrestres in Paris, Aviators International Insurance Group Inc. and CIGNA Corp. of Philadelphia have all dropped off the program, while USAIG returned after leaving the lead role it had prior to 1992.

Meanwhile, the National Transportation Safety Board last week continued to investigate why Flight 1016, which was en route to Charlotte from Columbia, S.C., crashed after aborting an attempted landing. Investigators

also are interviewing the flight crew, which survived the crash.

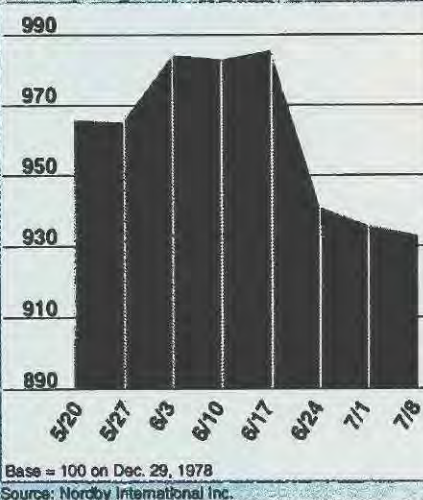
An NTSB spokesman confirmed that heavy rain began falling just prior to the plane's attempted 6:42 p.m. landing. He also said several witnesses saw thunderstorm conditions at the airfield, though no lightning or thunder was actually reported by local weather services.

"Wind shear is certainly being looked into. A wind shear alert had been called from the tower. About a third of an inch of rain fell in 15 minutes, which is very heavy," he added.

"The captain and co-pilot said they approached in a light rain that turned heavy. They reported a sudden sink and called for maximum power for getting out of the landing. That's when the plane crashed. We're investigating whether the plane's shear warning system functioned," he said.

Adrian Ladbury in London contributed to this report.

BI Insurance Index



Commercial Risk gets \$30 million capital boost

HAMILTON, Bermuda—Commercial Risk Partners Ltd., a financial insurer and reinsurer, has received a \$30 million capital boost from Western General Insurance Ltd., another Bermuda-based insurer.

The investment increases Commercial Risk's capacity and likely will lead to joint transactions between the two, said Daniel G. Marren, president and CEO of Commercial Risk.

Commercial Risk needed to increase its capi-

tal to attract more business, said Mr. Marren. "There was a sense that we were at a slight disadvantage for some of the larger transactions."

Before the infusion from Western General, Commercial Risk's capital and surplus totaled \$100 million.

Western General, which had capital and surplus of \$96 million at year-end 1993, was formed in 1980 to write casualty insurance and reinsurance, as well as financial reinsurance. It

is owned by trusts primarily for the benefit of members of the Pritzker family whose holdings include The Marmon Group Inc. in Chicago.

The \$30 million capital investment will give Western General a 35% interest in Commercial Risk. The deal also dilutes the combined holdings in Commercial Risk of SCOR S.A. of Paris and SCOR U.S. Corp. in New York to 65% from nearly 100%.

—By Gavin Souter

Insurance stocks fell last week, as the *Business Insurance Index* lost 2.8 points to 933.0 July 8 from 935.8 on July 1. Advancing issues for the week were led by: Seibels Bruce Group, up 10.0%; Markel Corp., up 9.2%; and TIG Holdings, up 6.4%. Declining issues for the week followed: Allmerica Property & Casualty, down 8.9%; Mutual Risk Management, down 7.9%; and Navigators Group, down 7.3%. The most active issue was U.S. Healthcare, 7.8 million shares traded. The *BI Index* fell 0.3%; the Dow Jones 30 Industrials rose 1.7%; the NYSE Composite gained 0.7%; and the Standard & Poor's 500 rose 0.8%.

College of Insurance, Pace University link courses

By SAMEERA KHAN

NEW YORK—A new partnership between The College of Insurance and Pace University in New York will give students from both institutions access to a broader array of courses.

Starting this September, College of Insurance students will have available to them a variety of undergraduate liberal arts, business, and science courses at Pace University. In return, Pace students will have access to the risk management, insurance and actuarial science offerings at The College of Insurance.

The courses will be open to undergraduates at both schools without additional charge, subject to course and space availability.

"This new affiliation with Pace does not affect the independence, governance or distinc-

tiveness of The College of Insurance, nor will it alter the course offerings at the college for the upcoming academic year," said its president, Ellen Thrower.

The strategy is the product of an 18-month planning effort by the college, the board of trustees, alumni leaders and key industry supporters to identify resources, strategies and creative alliances to strengthen the college.

The affiliation "will streamline academic offerings, improve overall quality, and enable The College of Insurance to enrich significantly its intellectual resources in risk management, insurance and actuarial science," said Robert Clements, chairman and chief executive officer of Marsh & McLennan Risk Capital Corp. and newly elected chairman of the college's 32-member board of trustees.

The College of Insurance is also planning to create new faculty positions in risk management and insurance in the near future, along with improvements to the Kathryn and Shelby Cullom Davis Library, increased support for applied research and a more computer-enhanced curriculum, said Ms. Thrower.

Another new development at the college has been the establishment of a new \$1 million chair in risk management and insurance that is being funded by Johnson & Higgins in honor of four retired J&H directors who have also served on the college's board of trustees.

The college offers bachelor's degrees in business administration, finance, insurance and actuarial science; and master of business administration degrees in finance, insurance, risk management and actuarial science.

British Issues

July 7 Companies	Price	P/E	Div.	Yield	1 week
	pence		pence	%	high—low
Comml Union	532	16.5	31.0	5.8	536—518
Genl Accident	566	11.4	34.4	6.1	571—557
Gdn Royal Exch	176	11.5	9.5	5.3	182—178
Independent	247	8.0	10.4	4.2	248—247
Royal	246	10.7	9.4	3.8	255—246
Sun Alliance	306	13.6	18.4	6.0	309—306
Brokers					
Bradstock	107	12.0	6.9	6.4	109—107
Fenchurch	151	11.6	9.0	6.0	151—151
CE Heath	316	11.4	20.0	6.3	319—318
JIB Group	149	13.1	9.4	6.3	149—149
Lloyd Thompson	189	12.6	8.4	4.4	191—189
Lowndes Lombard	389	12.4	18.8	4.8	390—389
Nelson Hurst	171	16.6	7.0	4.1	171—171
PWS Holdings	51	N/M	2.5	4.9	55—51
Sedgwick Grp	172	19.1	7.5	4.4	178—172
Steel Br Jones	119	N/M	11.3	9.5	119—119
Willis Corroon	148	13.6	8.3	5.6	151—148

Source: Philip Olsen, London

* Figures actual 1993

BI Industry Stock Report JULY 5, 1994, THROUGH JULY 8, 1994

BROKERS																										
		Weekly	Year to date	Annual	Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value			Weekly	Year to date	Annual	Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value			
Price	% change	% change	% change	High	Low							Price	% change	% change	% change	High	Low									
Accordia Inc.	NYS	27.75	-0.89	12.69	28.75	21.00	5	0.60	2.16	14	10.22	2.72	Mutual Risk Mgmt. Ltd.	NYS	21.75	-7.94	-27.50	32.75	21.75	153	0.26	1.25	-3	5.71	3.81	
Alexander & Alexander	NYS	17.50	6.06	-11.95	27.25	14.00	894	0.10	0.57	194	6.73	2.60	NAC Re Corp.	OTC	29.50	-0.84	1.29	38.25	24.00	34	0.16	0.54	-3	19.24	1.53	
E.W. Blanch Holdings Inc.	NYS	20.88	-1.18	20.14	23.50	15.75	75	0.32	1.53	20	4.10	5.09	National Re Corp.	NYS	25.38	-1.93	-17.14	37.13	25.38	78	0.16	0.62	8	17.51	1.45	
Gallagher Arthur J. & Co.	NYS	30.88	-0.40	-13.64	37.13	28.13	37	0.88	2.85	15	7.52	4.11	Navigators Group	OTC	16.00	-7.25	-54.29	39.00	16.00	67	0.00	0.00	9	16.99	0.94	
Hill, Rogal & Hamilton	NYS	11.75	-4.08	-10.48	15.13	11.13	90	0.48	4.09	18	4.51	2.61	Nobel Insurance Ltd.	OTC	7.88	1.61	3.28	8.50	6.63	20	0.20	2.54	5	6.84	1.15	
Marsh & McLennan	NYS	85.75	1.48	5.38	91.88	77.00	266	2.90	3.38	18	16.76	5.12	NWNL Companies	NYS	33.75	0.75	3.85	38.75	27.00	120	0.90	2.67	-2	23.97	1.41	
Poe & Brown	OTC	20.00	0.63	11.11	20.75	16.88	60	0.40	2.00	16	3.02	6.62	Ohio Casualty Corp.	OTC	28.13	0.45	-11.76	36.00	26.50	261	1.46	5.19	-3	47.68	0.59	
BROKERS	AVERAGE	0.2	1.9					2.4	42				Old Republic Int'l	NYS	22.63	1.12	0.56	27.63	21.50	134	0.46	2.11	8	23.57	0.96	
INSURERS/REINSURERS													Orion Capital Corp.	NYS	34.25	0.00	10.93	37.50	28.63	170	0.72	2.10	9	27.43	1.25	
ACE Ltd.	NYS	23.50	-4.08	-22.95	36.00	23.50	169	0.44	1.87	5	28.74	0.82	Phoenix Re Corp.	OTC	28.63	3.62	4.09	38.25	18.50	339	0.30	1.05	9	19.99	1.43	
Acceptance Insurance Cos.	NYS	13.63	1.87	17.20	15.63	11.13	32	0.00	0.00	16	9.65	1.41	Provident Life	NYS	26.38	1.44	-16.60	31.88	24.38	77	1.04	3.94	-3	26.38	1.00	
AEGON N.V.	NYS	53.75	3.86	-1.83	58.50	43.50	21	2.95	5.48	10	34.71	1.55	Re Capital Corp.	OTC	12.63	0.00	-7.34	15.50	12.25	78	0.32	2.52	-1	16.88	0.75	
Aetna Life & Casualty	NYS	55.75	-0.22	-7.47	66.25	49.75	564	2.76	4.95	-9	71.84	0.78	Reliance Group Holdings	NYS	5.13	-4.65	-33.87	10.38	4.88	675	0.32	6.24	7	4.22	1.21	
Allied Group Inc.	OTC	25.00	0.00	2.00	32.75	22.75	60	0.60	2.35	7	10.45	2.44	RLI Corp.	NYS	21.50	-0.58	-19.63	27.75	20.88	43	0.56	2.60	-35	22.91	0.94	
Allmerica Prop. & Casualty	NYS	15.38	-8.89	-28.63	22.16	15.00	138	0.16	1.04	8	58.97	0.27	St. Paul Companies	NYS	41.13	1.86	-8.36	49.00	37.69	770	1.50	3.65	9	57.84	0.71	
Allstate Corp.	NYS	24.00	0.52	-19.33	34.25	22.63	858	0.72	3.00	15	18.43	1.30	SAFECO Corp.	OTC	58.13	4.73	6.41	65.75	48.50	1407	1.96	3.31	-1	41.59	1.40	
American General	NYS	27.88	2.76	-2.19	36.50	24.88	740	1.16	4.16	22	22.09	1.26	SCOR U.S. Corp.	NYS	11.13	0.00	-11.88	16.88	10.13	31	0.36	3.24	22	16.08	0.69	
American Heritage Life Ins.	NYS	17.88	2.14	-4.03	25.13	16.75	8	0.60	3.36	11	12.42	1.44	Selbels Bruce Group	OTC	2.06	10.00	17.86	2.13	0.31	150	0.00	0.00	-2	1.90	1.03	
American Indemnity/Fin'l	OTC	10.75	-2.27	-17.31	16.25	10.75	33	0.24	2.23	4	16.18	0.66	Selective Ins. Group	OTC	24.81	0.25	-17.98	31.00	23.00	68	1.12	4.51	-3	23.11	1.07	
American International	NYS	89.63	1.70	1.70	100.25	81.75	1232	0.46	0.51	15	45.25	1.98	Sphere Drake Holdings	NYS	15.63	-3.10	-5.30	21.63	14.63	12	0.12	0.71	7	12.17	1.28	
American Re Corp.	NYS	30.50	0.41	7.96	37.50	23.50	71	0.00	0.00	16	14.80	2.06	Statesman Group Inc.	NYS	14.75	-0.84	18.00	15.25	10.13	140	0.10	0.66	6	8.65	1.71	
Aon Corp.	NYS	33.38	2.30	3.76	39.00	30.00	384	1.28	3.84	11	33.10	1.01	TIG Holdings	NYS	20.75	6.41	-8.29	28.00	17.25	272	0.20	0.96	-15	18.49	1.12	
Argonaut Group	OTC	27.75	0.91	-9.02	35.50	26.25	54	1.16	4.18	8	27.65	1.00	Titan Holdings Inc.	NYS	8.88	2.90	-18.39	13.38	7.75	19	0.25	2.82	7	8.93	0.99	
AVEMCO Corp.	NYS	13.88	-0.69	-26.00	21.25	13.88	39	0.44	3.17	11	8.13	1.71	Tokio Marine & Fire	OTC	63.38	1.40	17.36	67.00	49.25	4	0.36	0.60	-	57.72	1.10	
Baldwin & Lyons Inc.	OTC	14.75	-1.67	-0.84	16.25	12.66	6	0.24	1.63	9	12.59	1.17	Torchmark Corp.	NYS	38.75	-0.96	-13.41	59.75	36.75	841	1.12	2.85	3	17.35	2.23	
Berkley W.R. Corp.	OTC	38.25	-0.97	16.79	48.00	32.00	241	0.44	1.15	16	28.12	1.36	Transatlantic Holdings	NYS	53.25	1.19	-0.23	61.50	45.38	31	0.36	0.68	14	29.60	1.80	
Berkshire Hathaway Inc.	NYS	16950.00	2.88	3.83	17800.00	15150.00	0	0.00	0.00	25	8115.28	2.09	Travelers Corp.	NYS	32.00	-1.16	-17.68	49.50	31.25	2423	0.60	1.85	9	33.35	0.96	
Capital Re Corporation	NYS	21.38	0.00	-16.99	28.50	18.50	113	0.20	0.94	8	21.66	0.99	Trenwick Group Inc.	OTC	38.08	-5.40	-1.73	47.75	33.25	101	1.00	2.62	14	26.00	1.46	
Capsure Holdings Corp.	NYS	14.75	-4.07	9.26	19.38	12.75	48	0.00	0.00	14	13.08	1.13	United Fire & Casualty	OTC	42.50	1.80	18.06	44.00	36.00	0	1.06	2.54	11	28.96	1.47	
Chubb Corp.	NYS	77.13	-0.64	-1.91	93.38	70.75	360	1.84	2.39	25	46.59	1.66	Unifire	OTC	39.13	-2.80	-7.94	46.25	38.50	379	1.40	3.56	25	38.90	1.01	
CIGNA Corp.	NYS	71.88	-1.88	13.64	74.00	56.50	1275	3.04	4.23	17	78.23	0.92	UNUM Corp.	NYS	43.38	-1.98	-17.38	60.13	43.38	1516	0.96	2.21	11	27.55	1.57	
CNA Financial Corp.	NYS	62.00	0.40	-21.27	92.50	61.00	145	0.00	0.00	-30	77.92	0.80	US Facilities Corp.	OTC	13.38	1.90	12.63	14.63	8.25	174	0.00	0.00	14	10.48	1.26	
Continental Corp.	NYS	15.63	-1.57	-43.44	34.63	15.63	633	1.00	6.40	18	38.99	0.40	USF&G Corp.	NYS	12.38	-1.00	-18.18	19.50	11.69	560	0.20	1.62	13	10.60	1.17	
EMC Insurance Group Inc.	OTC	9.09	1.04	-4.28	10.25	8.50	56	0.52	5.72	13	N.A.	N.A.	USLIC Corp.	NYS	17.88	-3.38	8.33	20.50	15.75	44	0.24	1.34	3	25.22	0.71	
Empheus Financial Gr. Inc.	NYS	29.25	-3.31	NA	32.00	21.25	102	0.60	2.05	8	N.A.	N.A.	USLIFE Corp.	NYS	36.00	0.00	-7.10	45.75	34.88	121	1.24	3.44	3	41.73	0.86	
EXEL Ltd.	NYS	37.00	-2.31	-17.78	49.38	37.00	444	1.20	3.24	7	33.81	1.09	Washington National	NYS	21.38	-0.58	-11.86	26.13	20.63	132	1.06	5.05	3	28.40	0.75	
Fremont General Corp.	NYS	23.25	-2.11	-3.63	28.75	21.50	163	0.78	3.27	7	23.40	0.99	Zenith National Ins.	NYS	23.13	-1.07	4.52	29.13	20.63	33	1.00	4.32	3	17.71	1.31	
Frontier Insurance Group	NYS	32.13	0.39	-26.78	33.38	25.41	83	0.48	1.49	16	16.33	1.97	Zurich Reinsurance Centr.	NYS	27.38	0.92	-3.10	34.00	24.25	212	0.00	0.00	-	24.41	1.12	
Gaisco Inc.	ASE	8.88	-1.39	-1.39	12.16	7.84	36	0.04	0.45	13	3.49	2.54	INSURERS/REINSURERS	AVERAGE	-0.0	-5.9					2.4	10.2				
General Re Corp.	NYS	108.63	-1.25	2.24	133.38	101.75	434	1.92	1.77	15	55.54	1.96	HEALTH MAINTENANCE ORGANIZATIONS													
Guaranty National Corp.	NYS	15.25	4.27	-12.86	24.75	13.75	38	0.50	3.28	10	11.81	1.29	1.20	FHP International	OTC	23.75	0.53	-8.65	30.00	18.25	1950	0.00	0.00	14	11.43	2.08
Harleysville Group	OTC	22.00	4.76	-22.81	30.25	19.75	28	0.64	2.91	13	18.35	1.20	2.77	PacificCare Health Sys.	OTC	48.13	-6.10	27.48	60.25	30.50	243	0.00	0.00	9	11.15	4.32
Hartford Steam Boiler	NYS	43.75	-0.85	-1.69	53.38	42.63	120	2.12	4.85	125	15.80	1.41	1.41	Safeguard Health Enter.	OTC	13.25	4.95	6.00	15.25	9.00	31	0.00	0.00	15	5.71	2.32
HCC Insurance Holdings	OTC	21.00	1.20	4.13	23.84	15.00	59	0.00	0.00	17	14.94	0.66	0.66	Sierra Health Services	NYS	24.25	3.19	8.99	30.75	15.13	146	0.00	0.00	15	4.60	5.27
Home Holdings Inc.	NYS	13.13	0.00	-23.91	18.50	10.63	68	0.00	0.00	-4	19.96	1.41	1.41	TakeCare Inc.	OTC	77.75	0.00	42.66	78.25	38.00	0	0.00	0.00	24	18.69	4.16
ITT (Hartford Group)	NYS	80.25	-1.83	-12.53	95.97	77.91	1955	1.98	2.47	10	57.11	1.52	1.52	United Healthcare Corp.	NYS	44.75	-2.19	19.73	50.75	26.00	3697	0.03	0.07	23	10.64	4.21
Kemper Corp.	NYS	59.38	-0.63	65.51	65.00	32.88	1150	0.92	1.55	-63	38.98	0.59	0.59	U.S. Healthcare	OTC	37.63	2.56	-1.85	47.50	26.66	7841	0.68	1.81	19	6.21	6.06
Lawrence Insurance Group	ASE	2.50	0.00	-31.03	6.63	1.50	0	0.00	0.00	-6	4.26	1.26	1.26	Wellpoint Health Networks	NYS	30.13	1.69	-2.43	37.00	24.00	263	0.00	0.00	15	10.94	2.75
Lincoln National	NYS	41.88	-0.30	-2.62	48.25	36.75	597	1.64	3.92	9	32.53	1.74	1.74	HMOs	AVERAGE	0.6	11.5					0.2	17			
Market Corp.	OTC	42.88	9.24	11.36	44.50	36.50	100	0.00	0.00	10	24.68	1.26	1.26	ALL COMPANIES	AVERAGE	0.3	2.5					2.5	15			
Mid Ocean Ltd.	OTC	26.00	1.46	-7.96	34.75	25.00	144	0.00	0.00	13	20.24	1.26	1.26													



HOW AIG'S ABILITY TO CONTROL FINANCIAL RISKS PUT ONE AIRLINE ON A STRAIGHTER COURSE.

An airline's first-ever energy hedge in jet fuel, using a series of fixed-for-floating-rate transactions. It's no blue-sky idea but how we recently helped a major U.S. carrier manage risk. Since the airline's international operations generate a multiple-currency revenue stream, we also act as one of its primary foreign exchange partners. And we provide primary and excess property/casualty insurance for its buildings and aircraft, fidelity and international insurance coverages. Products and services for which more and more corporations are heading in AIG's direction. For the definitive response to risk.



WORLD LEADERS IN INSURANCE AND FINANCIAL SERVICES.

American International Group, Inc., Dept. A, 70 Pine Street, New York, NY 10270.