JULY 13, 1987

business insurance®

Reporting weekly for corporate risk, employee benefit and financial executives / $1.75 a copy; $68 a year

update

Wal-Mart ordered to pay $16.8 million to Transit

FAYETTEVILLE, Ark.—A federal judge has ordered Wal-Mart Stores Inc. to pay the liquidator of Transit Casualty Co. $16.8 million in additional premiums, plus interest, for workers compensation coverage written through Miro & Associates Risk Management Inc., a former Transit managing general agent.

U.S. District Judge H. Franklin

Continued on next page

July renewals

Lower rates, higher limits signal crest in market cycle

Most risk managers are coming back from July property/casualty insurance renewals with almost all the coverage they sought—and with change in their pockets.

While the first signs of market competition appeared as early as a year ago, almost all observers now agree that the roller-coaster rate cycle is heading down.

But the degree to which insurers are competing for business depends on your viewpoint.

Insurance brokers, who perhaps have the widest view of the market in their role as intermediaries between buyers and insurers, say insurers are willing to compete for all but the riskiest types of coverage (see story, page 71).

"Everyone's trying to keep their renewals, and it's been very easy. . . . Prices are going down substantially," remarked Bruce C. Dunbar, president of McGriff, Seibels & Williams Inc. in Birmingham, Ala.

Brokers generally report that property insurance rates are going down 25% or more, while rate reductions for most types of general liability insurance are smaller—in the 10% to 15% range.

And, rates for the tough-to-place types of business—like high-hazard liability and professional liability insurance—are either stabilizing or rising only slightly, brokers say.

In fact, brokers report that some insurers are so anxious to write business that they are going on the road to drum up new accounts.

"Insurers are definitely calling us, visiting more and asking for market share," said Richard A. Maxwell, president of Corroon & Black Corp.'s Brokerage Services Group in New York. "That's how I judge how hard or soft a market is—by who buys lunch."

Many insurers, while admitting that the market is softening, are discounting reports of rampant market competition (see story, page 74). Rather, they say July 1 rate cuts are an attempt by underwriters to adjust rates to proper levels following the steep rise in rates during the last three years.

The "illusion of heavy price competition" could be "blown out of proportion" because the relatively few rate-cutting incidents are being recounted over and over, pointed out Walter H. Hallowell, executive vp of Continental Corp. in Piscataway, N.J.

But other insurers agree with brokers that competition is mounting.

"From what I have been picking up, property rates are decreasing almost too quickly across the board, and general liability in some areas is also decreasing," observed Howard G. Goldstein, vp-marketing research for Zurich-American Insurance Group in Schaumburg, Ill.

Risk managers who have recently completed renewals say for the most part they're pleased with the direction of the market, though some fear that the first round of rate cuts could careen insurers into another price war (see story, page 77).

"I'd hope the insurance companies look at the risks and premiums closely and don't get into the competitive bidding of three or four years ago," said John G. Pinner, assistant treasurer at Mattel Inc. in Hawthorne, Calif.

Meanwhile, conditions in the London market, which a year ago shunned almost all new U.S. casualty business, also are easing, with property rates declining 10% to 15%; liability rates holding steady or falling slightly and capacity increasing for almost all lines of coverage (see story, page 77).

Finally, the reinsurance market is not changing as quickly as the direct market, reinsurers and brokers report (see story, page 79). While property reinsurance rates are dropping and capacity is increasing, softening in casualty reinsurance is limited to less restrictive terms, observers say.

Florida malpractice crisis likely to linger

By MICHAEL BRADFORD and JUDY GREENWALD

TALLAHASSEE, Fla.—The medical malpractice insurance crisis forcing some Florida physicians to abandon their practices and others to curtail services could last for months, if not years.

Medical malpractice insurance premiums have risen so high—particularly in the southern Florida counties of Broward, Palm Beach and Dade, which includes Miami—that some physicians are cutting back the services they perform, leaving the state or getting out of medicine entirely by retiring or changing professions.

"I have a good friend who is a stockbroker now; he used to be a neurosurgeon," said Dr. Harold Norman, president-elect of the Dade County Medical Assn.

Reports circulated early this month that patients had died after being transported to distant hospitals when nearby, understaffed emergency rooms refused to treat the patients. However, because of the serious nature of the patients' injuries, the deaths have not been directly attributed to the malpractice insurance problem.

The reason for higher malpractice premiums: juries have returned higher and higher medical malpractice awards.

As a result, St. Paul Fire & Marine Insurance Co. of St. Paul, Minn., the largest malpractice insurer in the state, raised rates 46.4% on July 1 for doctors in Dade and Broward counties. Elsewhere in the state, rates went up 10%.

Even the doctor-owned malpractice insurer with the third-largest market share is charging rates similar to St. Paul's higher rates. However, self-funded doctor trusts still are charging less than St. Paul's rates.

But while doctors are protesting higher rates, they also face losing insurance at any price.

St. Paul will stop writing medical malpractice coverage year-end for 5,300 of Florida's 33,000 doctors because the state refused to grant the 60% rate hike it said was necessary. The Florida Insurance Department granted only a 35% rate increase.

St. Paul originally was going to stop writing malpractice insurance in Florida July 1, but agreed to a six-month extension after the department granted it an additional 17.5% average statewide increase.

And, CIGNA Corp. began to pull out of the state July 1, when it stopped renewing coverage for 2,200 to 2,500 Florida doctors.

Three new sources of malpractice insurance may emerge in Florida, including a hospital-owned captive, a risk retention group and CNA Financial Corp., but they may not pick up all the uninsured doctors.

Observers say a solution to Florida's malpractice insurance problem must be found sooner than September, when Gov. Bob Martinez is expected to call a special session of the state Legislature to help resolve the problem.

"There is a lot of feeling something needs to be done very soon," said Roderick Dickinson, executive director of the Physicians Protective Trust Fund in Coral Gables. "No one's really got a good solution at the moment."

"There are not any quick fixes in Florida," agreed a spokeswoman for St. Paul.

The governor currently is forming a working group charged with developing proposals to be addressed in the special session, according to a spokesman. Last week, all the appointees to the group had not been named and no proposals had been formalized.

However, the Florida malpractice crisis is not going to be resolved quickly by legislative action, predicted Lester Abberger, vp of governmental affairs for the Florida Hospital Assn. in Tallahassee.

"I'm concerned about a quick-fix," said Mr. Abberger.

He explained that "even if the Legislature is able to enact a substantive tort reform package, the results won't be reflected for many, many months. That leaves us with the problem of what do we do between now and the time we see the results."

Three factors are blamed for the huge number of medical malpractice suits filed in Florida and the subsequent high awards:

- The highly transient nature of Florida's population.
- The high number of attorneys per capita in the state.
- Liberal judges and juries.

Many residents in Broward, Palm Beach and Dade counties are emigres from the North and have not had the opportunity to develop long-term relationships with their doctors, making them less reluctant to sue, pointed out Robert L. Atkins, administrator of the Florida Physicians Insurance Trust in Tallahassee.

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update

Wal-Mart ordered to pay Transit

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Waters also refused to order Wal-Mart's broker, Alexander & Alexander Inc., to reimburse the Bentonville, Ark.-based retailer for the judgment.

But in a ruling issued last Monday, Judge Waters also found that Wal-Mart is entitled to workers comp and general liability coverage written retroactively through Miro & Associates in 1980-1983.

Wal-Mart sued Transit in U.S. District Court in Fayetteville in 1985, seeking coverage under the workers comp policies and retroactive agreements and a ruling that it owed Transit only flat premiums of $3.5 million per year for the work comp coverage bound in 1983 and 1984 (*BI*, April 20).

Transit counterclaimed, seeking $19.5 million in additional premiums. And, Wal-Mart and Transit both asked the court to order A&A to reimburse them if they were ordered to pay any damages.

However, Judge Waters ruled that Wal-Mart and A&A knew that the flat-rate work comp coverage offered by Miro & Associates was "too good to be true" and that the rating would be unacceptable to state regulators. The retroactive coverage, while an "incredibly bad deal" for Transit, is enforceable, the judge ruled.

Wal-Mart is assessing whether to appeal the ruling.

Separately, Miro & Associates and its principal, Carlos I. Miro, have denied fraud, civil racketeering and other charges leveled against them and others by Transit's liquidator in U.S. District Court in Dallas.

In answers filed last week, Mr. Miro and Miro & Associates also filed numerous counterclaims, cross-claims and third-party complaints against others involved in their dealings with Transit. These include Transit's liquidator; Donald F. Muldoon & Co., a Transit MGA; A&A; Wal-Mart; and Transit's former parent company and former Transit directors.

State forces Fireman's to write

BOSTON—Fireman's Fund Insurance Cos., which last week announced its complete withdrawal from the Massachusetts insurance market (*BI*, July 6), is complying with a temporary restraining order issued by the Massachusetts Supreme Court that forces the insurer to continue writing new policies in the state.

The order was requested by the Massachusetts Insurance Department and Commonwealth Auto Reinsurance, the state's auto liability reinsurance pool.

The restraining order expires today and probably will be followed by a permanent restraining order, which will enable Fireman's Fund to "withdraw in an orderly manner" from Massachusetts, said former Commissioner of Insurance Peter Hiam.

Mr. Hiam resigned as commissioner last Wednesday in protest of Massachusetts Gov. Michael Dukakis' decision to allow limited AIDS testing of insurance applicants in the state.

In other developments, Hartford Accident & Indemnity Co., with 14 other insurers, filed suit alleging that the state's auto insurance pool assessment procedures are unconstitutional.

And, Fireman's Fund is providing $3.5 million in equity capital to Boston-based Pilgrim Insurance Co., a new insurer, which will partially assume Fireman's Fund auto business in Massachusetts.

Jury awards face cuts: Study

SANTA MONICA, Calif.—Defendants in civil lawsuits pay plaintiffs an average of 71 cents of every dollar awarded by juries as a result of post-trial changes, a recent study says.

However, "deep-pocket" defendants—such as businesses, governmental agencies, hospitals and doctors—paid an average of 77 cents on the dollar compared with only 58 cents for individuals, the study by the Rand Corp.'s Institute for Civil Justice says.

Moreover, defendants paid an average 91 cents on the dollar in product liability cases, but only an average of 67 cents in malpractice cases, according to the study released last week.

And in cases where punitive damages are awarded, final payments average 57 cents on the dollar compared with 82 cents on the dollar when only compensatory damage are involved.

The study found that 80% of jury verdicts remain unchanged after trial while 15% are decreased and 5% are increased.

The amount of reduction depended in part on the size of the initial award, the study found. For awards of less than $100,000, defendants ultimately paid an average of 93 cents on the dollar; between $100,000 and $1 million, 82 cents; and between $1 million and $10 million, 68 cents.

The study surveyed 880 cases tried to verdict between 1982 and 1984 in various California counties and Cook County, Ill.

Ferry settlement reached

LONDON—A compensation plan has been reached for victims of the March ferry disaster that killed almost 200 people.

Peninsular & Oriental Steam Navigation Co., the ship's owner, and the Standard Steamship Protection & Indemnity Assn. (Bermuda) Ltd., the ferry's liability insurer, agreed to apply retrospectively the new maximum compensation for sea passengers under British law. The law, which increased maximum payments to 80,000 pounds ($129,440) from 38,000 pounds ($61,484), was passed in April after the disaster and became effective June 1 (*BI*, May 4).

While payments of up to 80,000 pounds are possible, compensation will depend on individual circumstances, said Adam Gross, claims executive for Standard Steamship's manager Charles Taylor & Co.

P&O also will make additional compensation available in cases of severe hardship; a disaster fund of voluntary contributions has raised 4 million pounds ($6.5 million), said Mr. Gross.

So far, 189 bodies have been found and three people are still missing; 350 people survived.

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Regulators sue directors of insolvent Iowa insurer

By DOUGLAS McLEOD

DES MOINES, Iowa—The Iowa Insurance Department is pressing two lawsuits against former directors of the defunct Carriers Insurance Co. and four corporations controlled by one of the directors.

The Iowa department has filed a $63 million suit against John Ruan; Mr. Ruan's son, John Ruan III; Larry L. Miller; and Herman C. Kilpper. All are former directors of Carriers.

The suit, filed in Iowa District Court for Polk County in Des Moines on June 11, charges that the four were grossly negligent in their management of the insurer and that they engaged in various forms of self-dealing in the course of their employment with Carriers.

Court papers say Carriers had a surplus deficit of $85.4 million as of Nov. 30, 1985.

The four directors denied the allegations of mismanagement and self-dealing in a joint answer to the first complaint filed July 1. In a statement last month, Mr. Miller, president of Ruan Transportation Management Systems, also called the mismanagement allegations "as untrue as they are unkind."

One reason for the lawsuit, sources confirm, is to allow Carriers' liquidator to tap the insurer's directors and officers liability insurance coverage.

Carriers had a D&O policy with a $10 million limit written by Evanston Insurance Co. through underwriting manager Shand Morahan & Co. in Evanston, Ill., a unit of Alexander & Alexander Services Inc.

The claims-made policy was canceled in the spring of 1985, but Carriers bought a one-year extended reporting period endorsement, according to a source familiar with the coverage.

Evanston was notified of a possible claim by the liquidator during the extended reporting period, the source said.

Separately, the Iowa department also filed suit in the same court in May against four companies controlled by the elder Mr. Ruan, who was also Carriers' chairman. The four companies were insured by Carriers and allegedly owe $1.2 million in premiums to the insurer's liquidator, the suit says.

The suit names Ruan Transport Corp., Ruan Leasing Co., Sooner Transport Corp. and Dallas Service Corp.

No answer has been filed in the premium collection action. A Ruan spokeswoman said that the companies do not dispute that they owe back premiums to Carriers but only question the amounts owed.

The Ruan companies offered about $780,000 to Carriers' liquidator last month to settle the dispute over premiums owed Carriers but have not received a response.

Attorneys for the companies and the Iowa department are negotiating a settlement of the liquidator's claim.

Carriers, which specialized in transportation risks, was placed in rehabilitation Dec. 3, 1985, and ordered liquidated Jan. 16, 1986.

Among several other allegations, the Insurance Department's complaint charges the four Carriers directors with concealing Carriers' impaired financial condition from the Iowa department in the months before the insurer was taken over.

In its year-end 1984 statutory financial statement and in its first- and second-quarter 1985 filings, Carriers reported policyholder surplus of between $7.2 million and $8.9 million, according to the complaint.

In addition, an Aug. 31, 1985, financial statement

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Pennsylvania to decide Mutual Fire, Marine's fate

By MICHAEL BRADFORD

PHILADELPHIA, Pa.—The Pennsylvania Insurance Department has until Oct. 23 to determine whether Mutual Fire, Marine & Inland Insurance Co. can be rehabilitated or whether the insolvent insurer should be liquidated.

A plan to rehabilitate the insurer, which is insolvent by $150 million, was approved by Judge James Crumlish Jr. of the Commonwealth Court of Pennsylvania late last month. The plan gives Pennsylvania Insurance Commissioner Constance Foster, in her role as the rehabilitator, 120 days to determine whether sufficient assets are available to pay Mutual Fire, Marine's obligations to direct policyholders.

Ms. Foster also could be granted an extension of the 120-day period if she can show that more time is needed to collect assets for paying claims.

The judge's order includes an earlier modification to the rehabilitation plan agreed to by the committee of policyholders formed to participate in the rehabilitation and the Insurance Department, which calls for direct policyholder claims to be paid first. The policyholders had objected to a proposed order of approval submitted by the Insurance Department in early June that did not include the earlier modification (*BI*, June 22).

The plan also calls for ceding insurers from which Mutual Fire, Marine assumed reinsurance and other creditors to accept a combination of cash and surplus notes for money they are owed.

The order to rehabilitate the insurer comes more than a year after Mutual Fire, Marine placed itself into voluntary supervision under the Insurance Department. Defaults by at least 620 limited partnerships for which the insurer had provided financial guarantees and large losses on assumed reinsurance business forced the company to stop writing all business and paying claims in April 1986 (*BI*, June 30, 1986).

Mutual Fire, Marine's decline came after it ranked as the fifth-largest surplus lines insurer based on $72.9 million in premiums written on a non-admitted basis in 1984 (*BI*, Aug. 12, 1985).

By year-end 1985, however, Mutual Fire, Marine was insolvent by $5.8 million (*BI*, March 30; Feb. 2). And since the insurer's troubles were disclosed, its obligations have grown.

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Vol.21, No.28—*Business Insurance* (ISSN 0007-6864) is published weekly at 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance*, Circulation department, 965 E. Jefferson Ave., Detroit, Mich. 48207; 313-446-1611.

spotlight report

System shopping

Tight market yields smart RMIS buyers

By MICHAEL BRADFORD

The same tight insurance market that drove many businesses to self-insurance also sent risk managers shopping for automated systems to better manage their new found responsibilities.

And, in response to this growing demand, many risk management information system vendors are updating their products.

"We're seeing a lot more self-administration and self-insurance situations," said Richard Hall, executive vp of Anistics Inc. in New York, a subsidiary of Alexander & Alexander Services Inc.

Companies that have chosen to self-insure "need more system support," he noted, particularly in the area of claims administration.

"First of all, there are more self-insured companies," said Mr. Hall, and those companies "are more interested in administering their claims themselves."

Arthur Parry, manager of risk management services for The Wyatt Co. in Dallas, pointed out that "as companies start to self-insure in greater and greater amounts and are paying more of the claims dollars, they want to know why."

Risk managers today are requesting significantly more claims information "than is churned out by insurance companies," he added.

Scott Gilmour, vp-marketing for Corporate Systems in Amarillo, Texas, said the recent hard insurance market helped push demand for information systems to an all-time high.

"I've never seen so much demand for risk management information systems as in the last year," said Mr. Gilmour, who has been marketing systems for 15 years.

"With the hard market, a lot of folks were forced into self-insurance," Mr. Gilmour said. As a result, many chose to take on the automated duties, such as claims administration, that had been handled by their insurers.

Interest in automation is high, according to Richard Denning, president of Risk Sciences Group Inc. in Atlanta, partly because the recent softening in some areas of the insurance market has given risk managers a little more time to shop for systems.

During the hard market, survival gets more attention than long-range planning, he observed. And in a softer market, "people have a little more breathing room. . . and they are preparing for the inevitable," said Mr. Denning, adding that he thinks the hard market is going to return.

Many vendors are responding to this increased demand by providing systems that generate more sophisticated claims data.

At Corporate Systems, "there

Continued on next page

Washington state uses RMIS to support day-to-day activities

By STEVE TARAVELLA

OLYMPIA, Wash.—When Washington's Department of Natural Resources considered outfitting its trucks with sonar scanners to alert drivers backing up to pedestrians their path, it turned to the state's risk management department for advice.

The DNR suspected the scanners, which cost about $300 each, were unnecessary because its trucks usually operate in areas so remote that trees—not people—are the most likely accident victims, but it wanted to be certain.

To help the DNR make its purchase decision, Risk Manager Eric Payne is using the state's risk management information system. The RMIS will help Mr. Payne prepare a report on accidents that have occurred while truck drivers working for the state were backing up their vehicles.

This is just one example of how Washington is using an automated information system—in this case RISKMASTER—to respond to the day-to-day risk management needs of 500-plus government agencies.

State offices are increasingly calling upon the State Office of Risk Management (STORM) for ad-hoc reports, various value and loss information and claim status details.

The state, with 39 counties, employs 54,000 full-time workers. Part-time employees, temporary help and student workers employed by the state's university bring the total workforce to 99,950.

Washington, best known for its timber and wood products industry, has state agencies in fields as varied as fishing and financial management.

STORM, which has grown from a one-man operation to a staff of six in less than two years, is responsible for the property and liability risk financing for each of these agencies, as well as loss control, safety

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RMIS pioneers warn of pitfalls

Mary DeCampli, risk manager for Henrico County, Va., thought she did all the right things when she shopped for a risk management information system. But today she expresses frustration with the system she chose, and says she would do things differently if she had it to do over again. Ms. DeCampli and other system pioneers are now sharing their experiences with RMIS newcomers. See story, page 26.

RMIS users fuel system updates

Risk management information system user group meetings often drive system improvements and enhancements that might not otherwise have been developed, RMIS vendors say. The vendors report that user groups have provided users with a forum to work out bugs in the system and brainstorm improvements. And, vendors say they use these suggestions to improve their products. See story, page 23.

RMIS vendors focusing on U.S.

Although some vendors are marketing risk management information systems to companies outside the United States and others use the systems in their own overseas offices, most RMIS vendors have not made an effort to automate risk management departments in other countries. Vendors explain they are too busy trying to service the large, untapped market for systems in the United States. See story, page 31.

RMIS leaders

Continued from previous page

has been an acknowledgment that claims administration is becoming more important to the industry," said Mr. Gilmour.

In response, "We are going to completely re-evaluate our claims administration system," he said.

Mr. Gilmour pointed out that Corporate Systems will retain some of the claims administration features of its CS-PRISM/36 product, while adding other capabilities.

The redesign will give users easier access to menu items, such as word processing and comparison of reasonable and customary fees.

The PRISM/36, a minicomputer RMIS, currently offers accident reporting, risk and financial management and safety management functions. The system is in place in five risk management departments and costs from $40,000 to $250,000, depending on the user's needs.

PRISM/36 is best suited for an employer with a data base of 5,000 to 300,000 claims, according to Corporate Systems.

One of the leaders in RMIS technology, Corporate Systems also produces CS Online, a personal computer system first installed in 1973 and now in use in about 700 risk management departments.

Anistics also has "expended a lot of time and energy into redevelopment of our self-administration system," said Mr. Hall.

Anistics' ARIS* system now is more user-friendly and allows the user to "do more on his own, rather than relying on our services," he explained.

Anistics introduced its Custom ARIS* software in 1977. The program, designed to meet individual client needs, is being used in 184 risk management departments on various types of hardware.

Two years after its introduction, Anistics installed its first ARIS* system, which now is its most widely used RMIS.

ARIS* provides data through a time-sharing arrangement and requires users to have dumb terminals or personal computers and a communications modem. The RMIS costs from $10,000 to $175,000 and performs claims, policy and exposure tracking, ad hoc query functions and other services.

Jack Conway, president of Conway Computer Consultants Inc. in Jackson, Miss., said he also has noticed more companies interested in handling their own claims.

"Depending on the size of the company, using a (third-party administrator) is fine," he said, but some businesses have found that claims can be administered in-house at reasonable costs.

Conway markets its Property and Casualty Claims Administration Support System to self-insured businesses, TPAs, insurers and others.

PACCASSO operates on an IBM System/36 minicomputer and Mr. Conway describes it as a "full-blown claims administration and risk management system."

The system is programmed either to track claims only or to track and then pay claims.

PACCASSO previously was known as Pro-Claim, but Mr. Conway said a small life insurer in Tennessee claimed rights to that name. "It's the same software. We had a legal conflict with the name, so we changed it," he said.

The system tracks incurred and paid losses by insurer and policyholder on a per-occurrence basis. This capability allows insurers to keep up with billing and collection dates and recording of deductibles. Self-insured users of PACCASSO may notify excess insurers when retentions have been exceeded and record payments from insurers.

The system costs from $21,000 to $35,000, including installation and training. It has the capacity to handle 500 to 75,000 claims, but Mr. Conway says "75,000 is pushing it a little bit." A more comfortable limit is 30,000 claims, he explained. The system will maintain a five-year claims history.

Some vendors acknowledge that they are paying more attention to the needs of risk managers when updating systems or developing new products (see story, page 34).

"We've developed and strengthened our position in the risk management area," says Jerry Buckley, president of California Interactive Computing Inc. in North Hollywood, Calif.

CIC has developed the CIC Management Analysis module, which can be used with its Data Management Reporting System. Mr. Buckley said the new module gives risk managers "the increased ability to summarize and bring up loss data. It permits extensive management reporting and analysis for risk managers."

The DMRS has the ability to accept data from CIC's GENPAC property and casualty claims system and the GENCOMP workers compensation system.

The DMRS has the capability to analyze reserves, payments, claim status and other data for specified time periods. The system also features an ad hoc reporting function.

When interfaced with the DMRS, the management analysis module provides the "primary improvement of bringing more information into summary analysis," said Mr. Buckley. "It makes it easier to understand."

An important feature of the CIC system is its flexibility, said Mr. Buckley. "The user now has the ability to build his summary data base based on his own requirements." With the CIC system, he noted, the user is able to "define what he wants and build it. He's not locked into data elements and types."

"No two risk managers ask the same things, so how can you establish a rigid reporting data base and expect to meet all their needs?" Mr. Buckley asked.

Coopers & Lybrand, which has marketed its EXHIBITMAKER PLUS system primarily to insurers, also is aware of the growing interest in automation by corporate risk management departments.

"Our current version is very applicable to insurance company needs," reported Thomas A. Johnson, actuarial assistant at the accounting firm's Seattle office. "Next, I think we will be a little more responsive to the needs of corporate risk managers."

Coopers & Lybrand is "in the

Continued on page 6

Wausau's at home in these woods.

Higgins Lumber has specialized in distributing high-grade hardwoods in Northern California and Western Nevada since 1883.

This San Francisco Bay area company has a special appreciation of the fact that Wausau Insurance has specialized in business insurance since 1911.

This shared commitment to doing one thing well has built a solid relationship.

"We're not transaction-oriented people," says Higgins President Harry Anthony. "We like long-term relationships with quality suppliers. We're with Wausau because they provide the specialized service our business requires."

Wherever they are, whatever they do, thousands of America's quality companies look to Wausau for consistently superior service. To provide anything less would go against our grain.

WAUSAU WORKS.℠

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Leading risk management information systems

System(s) / Vendors	Number used by risk managers directly	Year first installed	Average completely installed price[1]
CS Online Corporate Systems	700	1978	$15,000-$20,000
Personal ARIS*; Custom ARIS*; ARIS* Anistics Inc.	286; 184; 158	1983; 1977; 1979	$777-$7,675; Varies based on application; $10,000-$175,000
Sailor On-Line; CARMA; PC CARMA The Travelers Cos.	383; 51; 44	1984; 1983; 1985	$10,000; $55,000; $18,000
SISDAT; SISDAT+;SISDAT+PS Crawford & Co.	390; 42; 10	1975; 1983; 1987	Included in claims administration fee; $2,500; No charge
CRIS; CRIS Advanced Functions CIGNA Corp.	350; 30	1983; 1984	Built into premium; $10,000-$20,000
PC RISKMASTER; RISKMASTER (LAN); Mini RISKMASTER Tillinghast Division of Towers, Perrin, Forster & Crosby	250; 10; 10	1982; 1986; 1982	$6,000-$12,000; $12,000-$24,000; $15,000-$30,000
Policy Register System; SIGMA+; CAST; Litigation Management Risk Sciences Group	75; 65; 65; 5	1987; 1978; 1981; 1985	No charge; $25,000; $3,000; $15,000

[1] Costs vary according to claim volume, data base size, utilization and access charges.
Source: Vendor questionnaires, interviews

Chart: Amy Palmer

RMIS leaders

Continued from page 4

process of doing some design work for the next version of our system," said Mr. Johnson. There is no firm date for the introduction of the newest edition of EXHIBITMAKER, he said, but it may be available by the beginning of 1988.

Although specifics of the new system have yet to be hammered out, the system may include some cash-flow monitoring and "budgeting-type things risk managers can use," he remarked.

The new EXHIBITMAKER will likely have more "high-powered graphics," according to Mr. Johnson.

The current EXHIBITMAKER, with 150 users of the loss reserve and claims analysis program, is used mostly by insurers but also by some risk managers.

The personal computer-based system, which costs around $7,500 to install, is being used by game manufacturer Bally Manufacturing Corp. in Chicago and Boise Cascade Corp., a wood products manufacturer in Boise, Idaho.

Mr. Johnson said Coopers & Lybrand is aware that EXHIBITMAKER is an analytical system and generally not the first choice of risk managers.

"A lot of companies are looking at claims management systems to deal with individual claims," he said. "A lot of firms are looking at that first before looking at an analytical system like ours."

Therefore, he said, Coopers & Lybrand has been discussing the interfacing its system with the existing RMIS in corporate risk management departments.

RMIS vendors also report a continuing trend: As system costs fall, risk management departments of smaller companies are more interested in automating.

A business that already has a personal computer used for other functions is particularly well-suited as a candidate for its own RMIS, vendors agree.

"A lot of people already have PCs and want to use PCs," said Neil Peterson, vp-sales and marketing at David Corp., the San Francisco-based subsidiary of Nationwide Insurance Corp.

"The acceptance of the microcomputer approach is becoming stronger and stronger," he said.

In the past year, David has more than tripled the number of installations of its CompPlus system, which runs on IBM-compatible microcomputers. There are now 28 CompPlus systems in place, compared with the eight being used last year, Mr. Peterson said.

Although David's clients include large companies like Warner Bros. Inc. in Burbank, Calif., and Carter Hawley Hale Stores Inc. of Los Angeles, Mr. Peterson pointed out that smaller businesses also use the system.

The cost of the system, which was first installed in 1983, begins at $25,000.

The system is set up to help clients administer workers compensation claims and has the capability to process Occupational Safety and Health Administration reports, run loss summary reports and perform other functions.

David also has begun testing a new system, P&C Plus, which Mr. Peterson said "expands into the whole world of liability insurance." The casualty claims administration system will interface with CompPlus, he said.

Al Rodriguez, president of Rodriguez Consulting Group Inc. in Jacksonville, Fla., pointed out that "because of the dropping cost of hardware and software, some of the smallest companies can afford to buy systems."

Rodriguez offers its Risk Pilot system to risk managers of small and medium-sized companies needing software that provides claims administration, payment processing, reporting features and other "general risk management information."

The software operates on an IBM PC or compatible with 640K of memory. A 10-megabyte hard disk is required.

Mr. Rodriguez explained that "the market we are dealing with typically doesn't have a risk manager. The person that handles risk management handles it as one of their many duties."

Rodriguez introduced the software last year as an added dimension to its consulting services. The system is being used by a trucking company client and Mr. Rodriguez says, "We're thinking about going back through our client base for the past two or three years to introduce them to the software."

Mr. Denning said Risk Sciences Group is trying to attract some

Continued on page 12

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opinions

No way to say goodbye

NO INSURER SHOULD be forced to continue to do business in any state, so we support the right of Fireman's Fund Insurance Cos. to pull out of Massachusetts lock, stock and barrel.

However, we think the manner in which Fireman's Fund earlier this month pulled out of Massachusetts is objectionable, whether or not Fireman's Fund thought it had no other recourse.

With no advance warning, Fireman's Fund announced on July 1 that it had allowed its licenses to expire and that it no longer could legally write insurance in the state. Fireman's Fund says it cannot make a profit in the state (*BI*, July 6).

While Fireman's Fund said it would honor policies processed before July 1 through their expiration, its sudden departure from Massachusetts is unfair to policyholders and to agents and brokers.

Furthermore, Fireman's Fund has not done the insurance industry any favor with this tactic. Insurers already are branded as irresponsible after they abruptly pulled out of certain loss-producing lines of insurance without regard to individual policyholders. Fireman's Fund's sudden withdrawal from Massachusetts only reinforces that image at a time when state legislatures and Congress are considering tighter insurer regulation.

The immediate impact, however, is on policyholders and agents and brokers.

Policyholders that had expected to renew coverage with Fireman's Fund in the next couple of months are caught short of time to re-market their coverage. Even though capacity is expanding and rates are dropping for many lines of insurance (see report, page 1), no insurance buyer wants to be caught short of time to properly market its risks.

However, for many individual insurance buyers, losing Fireman's Fund because it has decided to stop doing business in the state will be no more than a hassle in most cases. The individual insurance buyer not only can ask its current agent or broker to replace the coverage at renewal, but also can seek quotes through other agents and brokers. The buyer needs to replace but one policy.

For agents and brokers that placed substantial business with Fireman's Fund, losing a major market overnight is more than a hassle. It is at best chaotic and at worst disastrous to their businesses.

Fireman's Fund President William M. McCormick told us last week "we were deeply sorry to have to do it so abruptly." The company had no choice, according to its attorneys, he said. Had Fireman's Fund given advance notice, as Mr.

McCormick said it wanted to, Massachusetts would have thrown up barriers that would have effectively forced the insurer to stay in the state—such as requiring the insurer to pay assessments to the state's auto plan for years to come.

Those familiar with the politics of Massachusetts don't dispute such an analysis. Therefore, it appears that Massachusetts forced the hand of Fireman's Fund in more ways than one.

To be sure, no one quarrels with Fireman's Fund's contention that it cannot make a profit in the state and foresees no opportunity to do so. The biggest reason: The state refuses to permit automobile insurance rates that bear any resemblance to losses incurred. After projecting that its 1987 assessment to the state auto fund would be $32 million this year on top of $26 million last year, Fireman's Fund understandably decided not to continue to do business in Massachusetts. As Mr. McCormick said, it's unfair to make other policyholders subsidize Massachusetts drivers.

Massachusetts must work with insurers to solve the automobile insurance problem in its state.

In the meantime, we hope no other insurers feel compelled to follow the legal advice taken by Fireman's Fund and not give adequate warning when withdrawing from a state, whether it's Massachusetts or any other. Policyholders and agents and brokers need sufficient time for an orderly transfer of business to other insurance companies.

letters

Doctors should be civilly liable for actions

To the editor: Having just read your editorial "Litigation is Not the Answer" (*BI*, June 22), pertaining to negligence and fraud among doctors in diagnosing work-related injuries, I am utterly astounded that you could suggest the medical profession not be held civilly liable for their actions or decisions.

The suggestion that prosecution or license revocation be pursued is ludicrous. The suspension or revocation of a physician's license for a fraudulent diagnosis is impossible. If this avenue was available, there would be more doctors held to answer than the criminal courts could process. For cause, take the injured worker who claims a soft tissue injury, where all claims are symptomatic as opposed to evidentiary by radiology or other definitive tests. When the claimant obtains legal counsel and pursues his settlement through the workers compensation system, as many as six doctors may examine the patient, and all six will reach six different diagnoses, usually depending upon if they are "retained" by the employer or the attorney for the employee. Additionally, the first question asked by most physicians after the initial examination is "Have you ever been involved in an auto accident or on-the-job injury?" As is usually the case, it matters little which part of the body was injured in the previous accident, the current complaint is automatically related to the prior injury (i.e., a rolling fence striking a foot a year ago, is now responsible for shoulder strain that just showed up).

You state the workers compensation system allows employers to contest work comp claims and, for the most part, state authorities do a good job of denying meritless claims. Obviously, you are not speaking of California, wherein the employee who claims on-the-job injury, and finds a person who graduated last in his medical school class to say that it could have happened, is all but guaranteed a settlement, a paid vacation and other such undeserved benefits.

No, I say you are suggesting the wrong approach. Agreed, our courts are awash with groundless litigation and meaningless actions; however, the medical profession should be held civilly liable and demands should be made to hold them totally liable for their conduct. Additionally, the insurance industry should band together to maintain banks of information on such physicians and aggressive claims action should be pursued.

No one is above scrutiny; not magistrates, judges, lawyers, attorneys, law enforcement officers, and certainly not physicians, especially when the motivation is financial and ethics are for sale.

Roger Myers
Security Director
Dixiline Lumber Co.
San Diego, Calif.

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Published weekly at 740 Rush St., Chicago, Ill. 60611, Telex 6871241, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017, Telex 640207 CRAIN COM NYK; 1 Northpark, East Suite 114, 8950 N. Central Expressway, Dallas, Texas, 75231; Suite 814, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 20-22 Bedford Row, London WC1R 4EB, England. $1.75 a copy. $68 a year in U.S. Canada and all other foreign add $16 for surface mail. Europe and Middle East only add $47 for air delivery. First-class mail to U. S. and Canada only, add $48. Bermuda only, $105 per year expedited delivery. WILLIAM STRONG, vp-circulation. BARBARA KISCH, circulation manager. JOHN HUFFMAN, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, *Business Insurance*, 965 E. Jefferson Ave., Detroit, Mich., 48207, or phone 313-446-1611. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Department, *Business Insurance*, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229.

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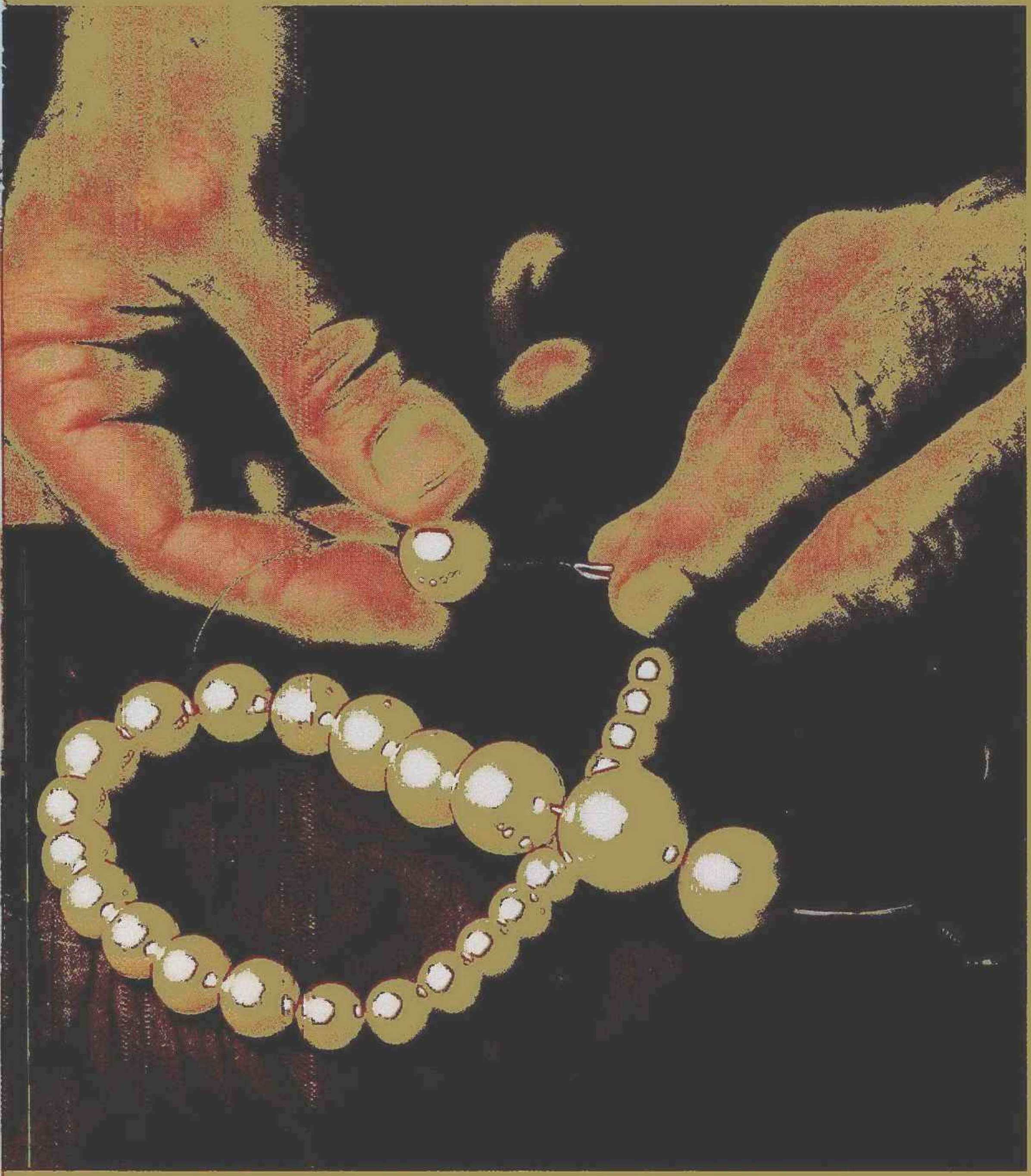

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RMIS leaders

Continued from page 6

smaller accounts by attempting to change the conception that his company is only marketing systems for risk managers at corporate giants.

That conception, said Mr. Denning, "doesn't bear up."

Risk Sciences Group intends to expand in the "mid-range of the market," he said.

Currently, 60% of the vendor's 90 risk management clients have revenues of more than $1 billion, and 25% of those companies have revenues exceeding $3.5 billion.

Risk Sciences continues to offer its two core RMIS: the SIGMA+ and SISDAT+ systems. SISDAT+ is operated in conjunction with parent Crawford & Co. for its claims administration clients, while SIGMA+ accepts data from insurers, claims administrators and self-administered programs.

The two systems use the same claim query system, called LOOKUP, and identical exposure, policy management and litigation management applications.

To reach a broader audience, Risk Sciences is giving away software. Its Sigma+ Policy Register System is free for the asking, says Mr. Denning. All the company wants in return is feedback on how the product can be improved.

About 100 copies of the software were given away at the annual Risk & Insurance Management Society meeting in March, he pointed out. "I doubt we'll market it. We'll use it like this to establish dialogue."

The system operates on an IBM XT or AT microcomputer or through a time-sharing arrangement with Risk Sciences Group's computer center.

The policy register system allows risk managers to maintain comprehensive summaries of policies and generate ad hoc reports on information in the summaries.

One of the newest entrants in the RMIS vendor competition is the Darien, Conn.-based Tillinghast Division of Towers, Perrin, Forster & Crosby Inc. Through its acquisition of SOFTEC Inc. in Livonia, Mich., the consultant offers a relatively new system design.

Jack Bergers, a consultant with Tillinghast in Detroit, explained that its RISKMASTER system operates as a local area network RMIS. The network features a central disk storage unit that allows users at several terminals to retrieve data from one source.

The system, which costs $12,000 to $24,000, is a fully integrated RMIS first introduced last year. Response to the system has been strong from organizations with large risk management departments, said Mr. Bergers. About seven clients are using the system.

The vendor continues to offer its popular PC-based and minicomputer versions of RISKMASTER.

Other brokers also are expanding their RMIS offerings.

Rollins Burdick Hunter Co. has implemented a new hard copy batch reporting system with its RISKAN system, reports Gary Spirduso, second vp at RBH in Chicago.

"It provides the client with the expanded ability to seek and sort all types of reports in better detail," said Mr. Spirduso.

Also, RBH has updated RISKAN's budget allocation feature.

While most of the 70 risk management departments that use RISKAN are RBH clients, that is not purchase requirement.

Johnson & Higgins continues to offer its mainframe and PC-based Risk Management Support Systems, along with its XTRACT product that provides custom and ad hoc reporting.

J&H's mainframe and PC-based RMSS costs $20,000, and XTRACT is priced at $5,000.

The mainframe RMSS can provide loss runs, allocate costs, administer claims and other services. Among the PC system's capabilities are claims management, policy register functions and premium and exposure tracking.

Insurers, including CIGNA Corp., The Hartford Insurance Group, The Home Group Inc., The Travelers Corp., Liberty Mutual Insurance Co. and Zurich-American Insurance Co., are among those offering systems directly or through subsidiaries.

Zurich-American originally introduced its Risk Manager Work Station to policyholders in 1986, but is preparing to release a major revision of the system soon.

Ellen Feliciano, assistant manager of distributed programming for the Schaumburg, Ill.-based insurer, said the system will be more user-friendly and flexible.

Zurich-American's RMIS system users indicated they wanted easier ad hoc reporting capabilities, which Ms. Feliciano said will be a part of the revision.

Claims data is downloaded onto diskettes from the mainframe at Zurich-American's office and is shipped to users, Ms. Feliciano explained, instead of tying clients into the system via telephone lines. "That frees them from dependence on our schedules," she said, and allows users to run their systems regardless of whether the mainframe is running.

The Hartford's OSCAR system is available to The Hartford Specialty Co.'s clients at no charge and has the capability to accept data from Hartford's mainframe to supplement claims information from other sources.

CIGNA offers its CRIS product in conjunction with other insurance services and has 350 in place in risk management departments nationwide. Among CIGNA's clients are Akron, Ohio-based Firestone Tire & Rubber Co. and United Technologies Corp. of Hartford, Conn.

An advanced version of CRIS is available from $10,000 to $20,000, and the 30 risk management departments using it include those of Borden Inc. in Columbus, Ohio, and ITT Corp. in New York.

Scott Wetzel Services Inc. in Bremerton, Wash., a subsidiary of The Home Group Inc., has its Claims and Risk Management System in six risk management departments. The $5,000 system provides ad hoc reports, loss control analysis and other services.

Helmsman Management Services Inc. in Portsmouth, N.H., a subsidiary of Liberty Mutual, has offered its RISKTRAC system since 1983. This year, it introduced the Helmsman On-Line and Helmsman PC claims management systems.

The Travelers Cos. Risk Management Information Services continues to offer one of the most popular RMIS on the market.

Travelers' Sailor On-Line system, first installed in 1984, is now in 383 risk management departments. The loss control and claims administration system allows a risk manager to use a PC to pull data from Travelers' mainframe. The installation price is $10,000.

Linda Sundram, assistant director of Travelers' Risk Management Information Services, said the capabilities of its PC Carma product have been updated.

The system, which operates on an IBM or compatible PC, now offers such functions as processing OSHA reports.

In addition, Ms. Sundram noted, PC Carma is being marketed more aggressively. "We're actively going out to prospect people that have no ties to Travelers," she said.

PC Carma costs $18,000 fully installed and currently is being used in 44 risk management departments. ■

NWNL Reinsurance Company, Minneapolis

Washington RMIS

Continued from page 3

and security measures.

This encompasses an estimated $3.1 billion in property, including bridges, highways, ferries, fisheries, prisons, six major universities, a teaching and research hospital, a psychiatric hospital, children's foster homes and 27 community colleges. In addition, the state owns about 11,500 vehicles, plus 1,500 trailers and motorcycles.

Besides potential for injury and death and property losses, the state is exposed to losses in the aviation, marine, surety, fidelity and boiler and machinery areas.

All claims filed against the state are first filed with STORM, which then forwards them to the state attorney general, who serves as a claims adjuster for all third-party property and liability claims.

The state's portfolio of commercial insurance is small. Most third-party property and liability claims are paid from a revolving fund that is run by the state's Office of Financial Management, which decides when and how much to contribute to the fund.

Mr. Payne

First-party property claims are directed to the state Legislature, where the Ways and Means Committee allocates money for losses.

The only claims not handled by the attorney general or the Legislature are vehicle accident claims, which are adjusted by a division of the state Department of Transportation that is under contract with STORM.

"There's lots of room for improvement in the way the state's handled risk in the past. There's a much better way to do things," says Mr. Payne, who became the state's risk manager in November 1983 following a two-year period in which there was no state risk management department.

Among STORM's goals are to:

- Better identify the value of state property holdings.
- Evaluate the state's business interruption exposures.
- Quantify its overall cost of risk.
- Implement an actuarially sound self-insurance program to improve the way claims are funded.
- Bring administration of workers compensation benefits for state employees under the risk management department. Today, state employees submit their work comp claims to the Washington State Department of Labor and Industries.

All of these plans require access to reliable data on past losses and claims experience, which is where a risk management information system comes into play.

Mr. Curtis

For many risk managers, shopping for an RMIS is one of the biggest hurdles to eventually benefiting from one. Mr. Payne's experience is no exception.

"Claim information is the life's blood of a risk management organization. I needed to be able to look at large amounts of information the way I wanted to, when I wanted to," says Mr. Payne.

"I needed to have control, I needed to have access to information and needed to have hard copies when I wanted."

Mr. Payne shopped for more than a year, looking at systems from Risk Sciences Group in Atlanta, Corporate Systems in Amarillo, Texas, Anistics Inc. in New York and now-defunct Integrated Risk Information Systems Inc.

At one point, he turned to Corroon & Black Corp., the state's broker and occasional consultant, for assistance. Corroon & Black set up a series of vendor demonstrations in Nashville, Tenn., for Mr. Payne to examine several products in one day.

It wasn't there, however, that he was introduced to RISKMASTER, now marketed by a unit of the Darien, Conn.-based Tillinghast Division of Towers, Perrin, Forster & Crosby Inc. that operates under the RISKMASTER banner.

Mr. Payne saw the system at a 1985 demonstration the vendor conducted in Seattle for several interested public entities in the area. They each chipped in to pay the exhibitor's travel costs.

Mr. Payne was impressed with RISKMASTER then—and is pleased with it now—but says candidly that it wasn't his first choice. What he really wanted, he says, was a system by Anistics, a unit of broker Alexander & Alexander Services Inc. and a vendor whose systems some consider to be top-of-the-line.

"I wanted to drive a Porsche," says Mr. Payne, who also is president of the State Risk & Insurance Management Assn. and treasurer of the Washington Chapter of the Risk & Insurance Management Society.

But public entity budget approvals being what they are, he would have had a difficult time convincing the state that Anistics' $225,000-plus price would be money well-spent.

"Their price ticket was way out of our ballpark," he says. But, impressed with "lots of warm fuzzies" in the Anistics' system, he didn't give up easily.

Reasoning that the legislators who must approve state budget items might be persuaded to give the Anistics product the go-ahead if they could hear about it from a high-profile risk management professional, Mr. Payne asked Gene Snyder, named to the *Business Insurance* Risk Management Honor Roll in 1984, to testify before the Senate Government Operations Committee.

Mr. Snyder, risk manager for the state of Oregon, agreed to help out, but Washington's infamous fog thwarted three landing attempts the day he was to speak, and he was forced to return to Salem.

Mr. Payne had the Anistics proposal in hand that day, but says the committee likely would have shot it down immediately without support from someone like Mr. Snyder, who could speak of Anistics' strengths from his own experience.

That's when he turned to RISKMASTER.

Washington paid about $26,000 for three copies of RISKMASTER software, one each for the Transportation Department's vehicle claims program and the University of Washington's hospital malpractice program, and a more sophisticated program for STORM, which would tie into the other two.

"As a lot of the bells and whistles drop off, the price comes down," Mr. Payne says of the cost difference between RISKMASTER and Anistics products.

The biggest cost factor in the Anistics' mainframe product was its strong support staff, said Mr. Payne. An Anistics team would have provided him with the data

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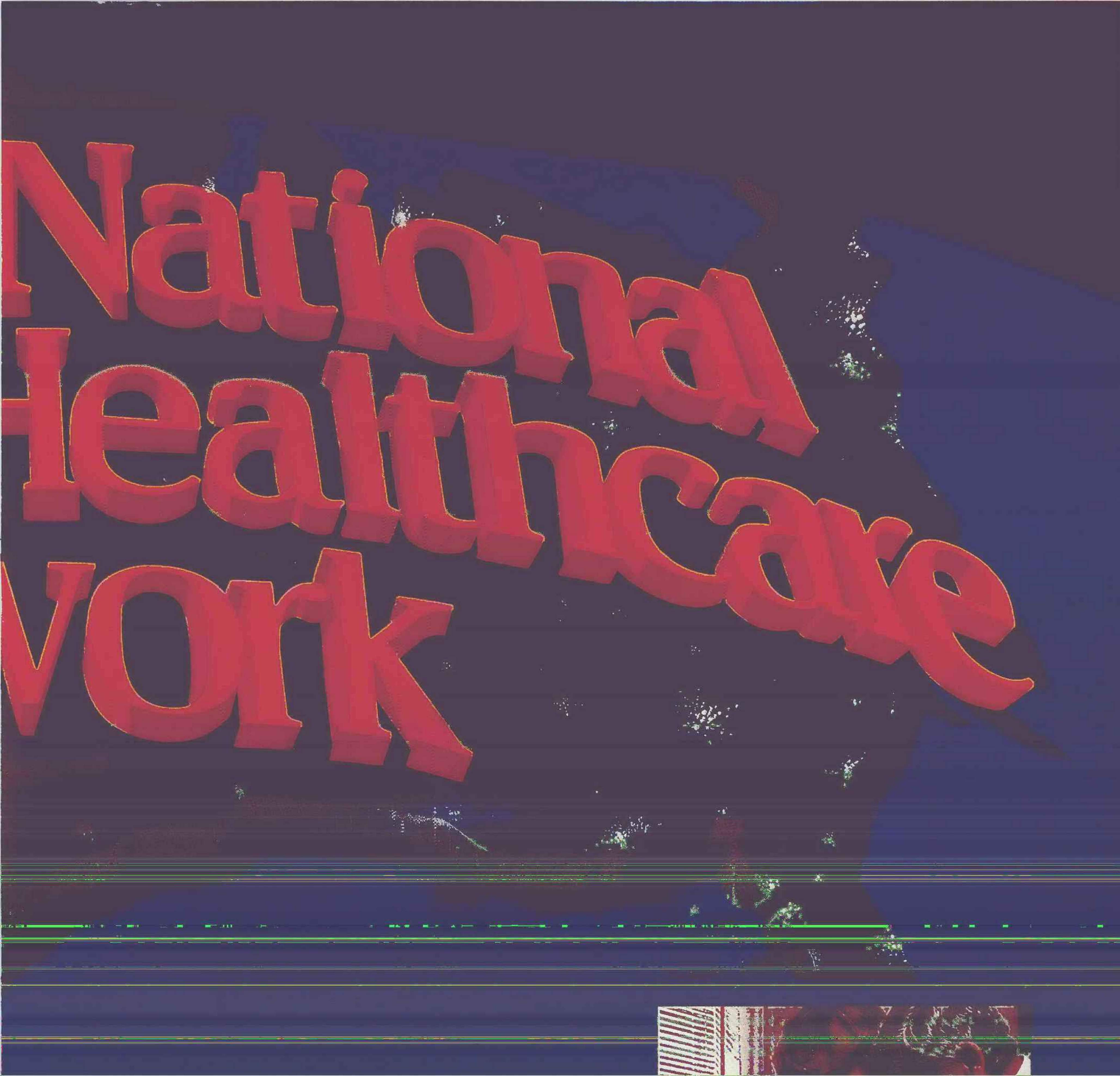

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EMPLOYEE BENEFITS

Washington RMIS

Continued from page 16

compilation and analysis.

The mainframe product also required more costly telephone access than the PC-based RISKMASTER, he added.

The $26,000 for RISKMASTER included installation and two training sessions: one when it was purchased and one in six months. In twice-yearly installments, Washington also pays $750 annually for enhancements and service, much less than the maintenance fees of many other vendors.

The state's budget approval process posed no hindrance this time around. The cost was so much less than Anistics' that STORM was able to report its purchase as a "special equipment" purchase, which did not require separate legislative approval.

Although Mr. Payne liked the system, he still wasn't sold on it when he bought it: He made the purchase thinking RISKMASTER would help out for four or five years and show the Legislature what an RMIS could do for the state, after which he would trade it in for a system with greater capabilities.

"I just couldn't see it," he says of the RISKMASTER purchase. "We're a pretty large organization, there would be tremendous demands on the system, and it would have to be able to move with that."

But today Mr. Payne is so pleased with RISKMASTER that he says, "We may never have to change."

RISKMASTER is not STORM's first automated information system. Rather, it is its third time at bat in the RMIS ballpark, but only its first time to hit safely.

In the late 1970s, the state relied on Corporate Systems for its risk management analysis and, in the early 1980s, it used Marsh & McLennan Inc.'s RIMSTAR. Neither arrangement served the state well, but Mr. Payne blames that largely on the state's lack of a central data collection source, not on vendor ineffectiveness.

"You get out of it what you put into it," Mr. Payne says today. "There's no system that will make bad information better. We had boxes and boxes of beautiful reports, but couldn't find anything useful in it."

> **'There's no system that will make bad information better,' says Risk Manager Eric Payne.**

As Risk Analyst Chris Curtis puts it: "It's a classic situation of 'Garbage In, Garbage Out.' "

RISKMASTER arrived in early 1986, was installed in several hours by a representative of SOFTEC Inc., the firm marketing RISKMASTER prior to its acquisition by Tillinghast. After a one-day training session, "I felt very comfortable taking it from that point," says Mr. Curtis. The system was up and running soon thereafter.

As claims are filed today, STORM personnel transfer information from them into RISKMASTER's data base; the state receives an average of 55 claims each week. Combined with data taken from archival records, the department is amassing a computerized data base dating back to 1980. About 9,000 general liability claims and about 2,500 vehicle accident claims are in the data base now.

"The biggest advantage of RISKMASTER is being able to pull out information the way we want to see it," Mr. Curtis says. "You're not locked into pulling out information in certain ways."

Mr. Curtis says STORM is so pleased with RISKMASTER's customized reporting capabilities that it regularly uses only one of about 10 standard reports produced on the system. Ad-hoc reports have become the mainstay of Washington's information.

For example, the department is now developing quarterly management reports it will send to all state agencies, highlighting specific areas of concern to each. The reports are expected to be especially helpful in budgetary planning.

And, a RISKMASTER report on seven years of liability claim costs, broken down by cause of accident, is being used by the Department of Transportation to study ways major vehicle accidents can be prevented, Mr. Curtis says.

The system is flexible in other ways, Mr. Curtis says. In less than

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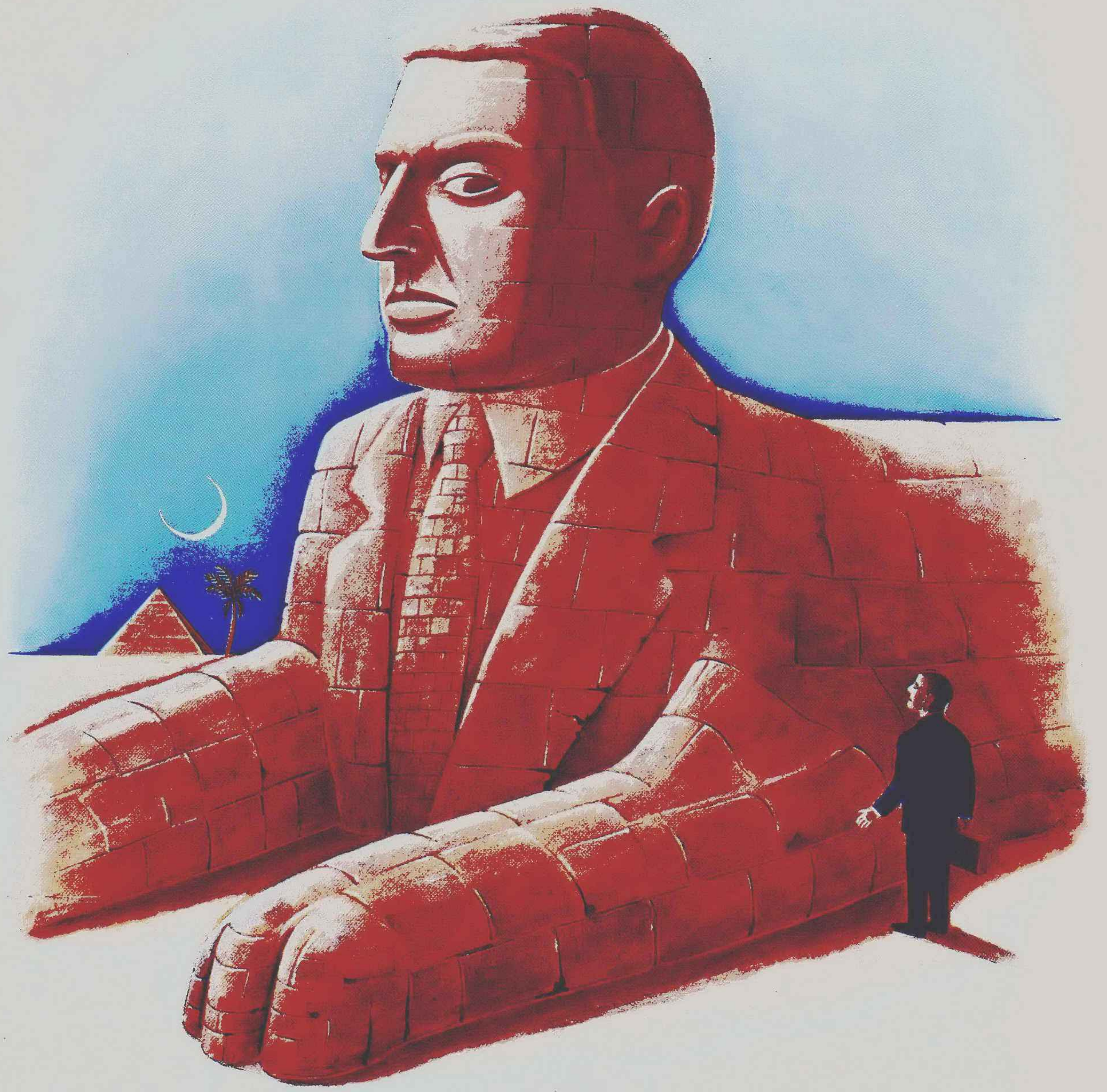
Do reinsurers care about the little guy?



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Claims-made tracking software hard to find

By MICHAEL BRADFORD

Risk managers need software to help them track depletion of aggregate limits under claims-made forms, but the product isn't widely available, a consultant says.

Roberta McCreary, a consultant in The Wyatt Co.'s risk management services division in San Francisco, said RMIS software designers have been slow to develop programs that will let claims-made policyholders know when aggregate limits under claims-made forms are running out.

"One of the needs that has been present, and is being worked on, includes enhancing the ability to track aggregate depletion," said Ms. McCreary. She explained that policyholders with the claims-made form "need to know how much annual aggregate they have left for claims."

Most of the current information systems were set up to handle occurrence claims only and are leaving users in a lurch for tracking detailed claims-made data, she claims.

Designing or modifying a RMIS to track the claims data would not be difficult, she said, because it merely involves keeping up with various dates and claims information.

Richard Denning, president of Risk Sciences Group Inc. in Atlanta, says the Crawford & Co. subsidiary has developed a policy tracking system that can be used with its RMIS to track depletion of aggregate limits on claims-made coverage.

Mr. Denning said the system is being used by an insurance company client, but risk managers have not shown a lot of interest in the feature. However, Risk Sciences Group has not promoted the system heavily, he admitted, saying, "maybe we haven't pressed it like we should."

Gary Spirduso, second vp at Rollins Burdick Hunter Co. in Chicago, said RBH's RISKAN system adapts easily to claims-made reporting and while it does not have a feature that will automatically bring up aggregate limit depletion information for a specific policy, that data can be retrieved.

"We don't provide something that automatically does that," he explained, but pointed out that RISKAN allows a user to assemble claims information that can be used to figure out how much claims-made coverage remains.

Richard Birkenfeld, risk information consultant with Corporate Systems in Amarillo, Texas, said a new claims-made system being developed will allow the user to easily note how much aggregate coverage is remaining.

Mr. Birkenfeld said the system, which is still being tested internally, would have been a more popular offering if it had been finished last year.

"We've seen moderate interest," he remarked, noting that the claims-made controversy has cooled and risk managers have been able to retain much of their coverage on occurrence policies.

But a RMIS is useful for buyers of claims-made policies for more than tracking depletion of aggregate limits, Mr. Denning points out.

"In many cases, the systems were saviors" in providing claims histories for users that were forced to switch from occurrence to claims-made coverage, he says.

Risk Sciences' SISDAT, SISDAT+and Sigma+systems last year helped CertainTeed Corp. of Valley Forge, Pa., purchase excess liability coverage (*BI*, July 21, 1986).

CertainTeed's broker, Marsh & McLennan Inc., had notified the manufacturing company that only claims-made coverage would be available and the broker would need 10 years of loss history on a claims-made basis. When Kenneth M. Krenicky, director of risk management at CertainTeed, realized he was running out of time, he turned to the RMIS to prepare the report.

"He needed the stats on a claims-made basis to establish coverage in London," said Mr. Denning, adding that the RMIS was able to provide the history quickly. ■

Washington RMIS

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an hour, for instance, he can find out via RISKMASTER how much money the state paid out in tort claims last year; a detailed breakout of that total might take overnight to accomplish.

Before the system was installed, "You couldn't have gotten that information, period," he says.

Quite simply, Mr. Curtis, who has been at STORM less than two years, is himself a major reason for Washington's RISKMASTER success story, according to assessments by both Mr. Payne and Marc Dorn, RISKMASTER president and a Tillinghast principal in Livonia, Mich.

Although Mr. Payne uses RISKMASTER in decision-making and administration, he actually has very little hands-on involvement with the system. But, Mr. Curtis spends at least half of his time at the RISKMASTER keyboard.

'They're probably a step ahead of a lot of people starting out,' says RISKMASTER's Marc Dorn.

STORM personnel became so comfortable using RISKMASTER that they decided the second training session was unnecessary; but, since the training was part of the purchase price, Washington wanted its money's worth.

A swap of sorts was worked out. The state didn't want the training, but was interested in obtaining changes in RISKMASTER's program that would enable STORM to create a network of six personal computers that could share information. The vendor made the change, creating a network of PCs at no additional cost.

The new capability puts STORM in the company of only about seven other RISKMASTER users that benefit from such networking, says Mr. Dorn.

With this feature, "They're probably a step ahead of a lot of people starting out with risk management information systems. Others are starting out with a single-user system and then migrating to a larger one," Mr. Dorn explains.

Mr. Payne noted that the state's data processing authority resisted the purchase because he was pursuing a personal computer-based product at a time when mainframe systems were still popular. "If we failed, there'd be plenty of 'I told you so's,' " he says.

STORM has shared its experience with numerous risk managers who've considered a RISKMASTER purchase. ■

User groups' ideas enhance systems

By DEBORAH SHALOWITZ

Risk management information system user group meetings often drive system improvements and enhancements that might not otherwise have been developed, participants say.

"Most of the changes that we see in our (RMIS) system are directly related to feedback from the user group," said Ken Martino, assistant director of on-line systems for The Travelers Insurance Cos.' risk management information services department in Hartford, Conn.

The Client Advisory Council of Amarillo, Texas-based Corporate Systems has been "extremely effective" in improving the RMIS, said CAC Chairman Charles W. Esserwein.

Mr. Esserwein, who is an assistant vp for DataLink, Associated Risk Services Co., a third-party administrator based in Atlanta, noted that Corporate Systems already has or is in the process of implementing about 90% of what the user group suggested.

"We want to help users protect their investment," stated Mr. Esserwein.

'We want to help users protect their investment,' says Charles Esserwein, who leads a group.

User groups provide a forum for RMIS vendors and users to work out bugs in the system and brainstorm improvements.

While the Travelers' and Corporate Systems' user groups have been operating for more than two years, even a new user group can be effective.

For example, suggestions from a user group formed by Atlanta-based Crawford & Co.'s Risk Sciences Group Inc. were incorporated into the company's SIGMA+ Risk Management Information System following the group's first—and only—meeting, said Richard Denning, president of Risk Sciences Group.

One of the most common suggestions from user groups is to improve consistency in the RMIS and in reports generated by the system.

For example, Johnny Mize, western regional manager of Corporate Systems, said the company made calculations, wording and headings consistent in reports after reviewing complaints from the CAC.

Corporate Systems also made computer commands—such as entering, exiting and moving around within the RMIS—consistent as a result of CAC suggestions, said Mr. Mize.

Another common suggestion from user groups is to make the RMIS programs more "friendly."

Mr. Denning commented that "our user-friendly procedures weren't as friendly as we had thought." To correct that, Risk Sciences Group is developing more menu-driven options and more opportunities for the user to rely on the system for help.

User groups also complained about the constant updating of training manuals, said vendors.

For example, Travelers had been sending updates to users on a regular basis to add to the existing training manual. However, many users were putting the updates in the back of the manual and still referring to the outdated information in the text, Mr. Martino explained.

To solve the problem, which was brought to Travelers' attention at user group meetings, Travelers provided users with completely updated training materials and instructed users to toss the old ones.

Corporate Systems encountered a similar problem but solved it another way: The vendor reduced the number of user book updates per year and clearly labels the envelope so that users properly file the updates, Mr. Mize explained.

Often suggestions from user groups are very specific.

After members of Risk Sciences Group's user group expressed needs for a policy register system, the vendor developed software to run on an IBM personal computer that keeps track of policies, renewal dates and costs, Mr. Denning said. The company freely distributed that program to users of SIGMA+ in April, he added.

And, users of Travelers' RMIS have requested capability to produce a number of claims analysis reports, such as sizes of losses by category, how many claims exist in each layer and total dollars in each layer, all of which have been instituted, according to Mr. Martino.

CAC suggestions resulted in system enhancements such as a policy register system, the ability to look for claims by Social Security number and standardized procedures to input data, Mr. Mize said.

User groups also provide vendors with general suggestions concerning the future development of RMIS, said Mr. Esserwein.

The value of user groups is in not only solving "short-range tactical problems," he stressed, but also in "long-term strategic planning."

One of the most general suggestions from Corporate Systems' CAC was development of a user hot line to answer RMIS questions. The hot line should be operating later this summer, said Mr. Mize.

He added that Corporate Systems purchased a software package to track calls from users, which will allow the company to identify the areas generating the most problems and questions.

In at least one case, user group suggestions helped shape the development of another product by the same company.

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User groups

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Travelers which has been operating a user group for its mainframe CARMA system for about five years, recently started a user group for its personal computer-based risk management information system, PC CARMA.

The new Travelers group, which was formed for users of PC-based software that has been in existence since September 1985, met for the first time in May. Eight users attended that meeting.

Mr. Martino of Travelers noted the PC CARMA user group had "a few comments to make but not a real lot of suggestions," because "the product we developed here was based on suggestions about the mainframe-based system."

User groups often are more helpful to those who are new to the RMIS than those who have been using it for a while.

"I probably contributed more than I got, but that's the way a user group runs," said user group veteran Ron Grimm, manager of risk management administration for Xerox Corp. in Stamford, Conn., after attending the October meeting of the Sigma + user group.

Organizationally, user groups differ greatly.

The two Travelers user groups each meet once or twice a year for about a day and a half.

Participants are selected by Travelers and invited to each meeting. Mr. Martino said the company tries to vary participation by selecting users on a rotating basis.

User group participants pay for their own transportation to the meeting site and Travelers picks up hotel and meal costs.

About 20 people participated in the last CARMA users group.

Risk Sciences Group's SIGMA + user group meets once a year for about two days. About 30 people attended the user group's first meeting last October.

Participants pay for their own transportation, hotel and meals and $300 for the conference. Mr. Denning insisted, though, that this represents "just the costs of putting on the program."

He emphasized that "this is not a seminar rate to make a profit," but represents only Risk Sciences Group's out-of-pocket costs.

"Down the line I would see the user group electing its own program director" and Risk Sciences Group would do the administrative work, speculated Mr. Denning. Meanwhile, though, Risk Sciences Group plans to have its own two-day employee retreat following next October's user group meeting

'A lot of these people don't realize the time it takes away from their jobs,' says John Champlin.

to follow up on suggestions made at the user conference.

Corporate Systems' CAC is organized significantly differently.

One representative from each of five client groups—insurance brokers, insurance companies, state and municipal governments, third-party administrators and corporations—serves a two-year term on the CAC, explained John Champlin, eastern regional manager for Corporate Systems.

The CAC probably will meet three times this year, down from four times last year because "three-month breaks is not sufficient time to follow up on everything we're discussing," Mr. Champlin explained.

The CAC developed and tentatively approved bylaws for the group that will be voted on at a meeting in September.

Mr. Champlin said one reason for the bylaws is to alert participants to the real commitment involved with being on the CAC.

"When we get members to participate on the council, a lot of these people don't realize the time it takes away from their jobs," he said.

Another reason for the bylaws, CAC Chairman Mr. Esserwein explained, is to allow the group to govern itself independent of the vendor.

He added that the CAC will have a membership campaign in the fall, after which it plans to manage its own membership.

Mr. Esserwein, who was a member of a Sperry Univac user group about five years ago, also hopes to arrange meetings among CAC members independent of Corporate Systems and start a CAC newsletter. ■

RMIS pioneers warn newcomers of pitfalls

By STEVE TARAVELLA

Risk managers who've taken the hard road to automation are often eager to share their trailblazing experiences so those that follow have an easier path.

Take Mary DeCampli, for example. As risk manager for Henrico County, Va., Ms. DeCampli thought she did all the right things when she shopped last year for a risk management information system.

But today she expresses more than minor frustration with the system she chose, and says she would do a few things differently if she had it to do over again.

The county, with about 6,000 employees, spent about $12,000 last November for hardware and software intended to help it monitor and control workers compensation claims as well as general, professional and law enforcement liability losses.

Before making the purchase, Ms. DeCamplis examined her operation's needs, shopped carefully and talked with risk managers already using RMIS products she was considering.

By following tips she'd gleaned from others, she was convinced she was taking the right steps, "but I still ended up with not the best system."

Seeing a system in an exhibit hall and operating one in your office are two different things.

"It's *too* user-friendly—it won't let me make some decisions," she says today. "I was originally told, 'No problem, we can tailor this to your needs.' But I'm not seeing that tailoring."

The vendor, which she declined to identify while she tries to resolve her complaints, won't permit certain changes to be made in the software program that she believes will improve her department's operation.

"I'm happier than I was, but I'm unhappy with how inflexible the system is," she says. "Although I'm upset with the system, I love the reports, which are what sold me on it from the start."

Ms. DeCampli offers this advice to prospective RMIS users:

- Try to do some hands-on testing with your own claims before you buy the system.

She didn't, and regrets that today.

"We were seeing what they wanted us to see—how nice the system looks," she recalls. "You see a whole different picture with your own claims."

- For the smoothest claims processing available, look for a system that's designed with your industry in mind.

Persuaded by marketing brochures that her software was developed specifically to meet the risk management needs of public entities, Ms. DeCampli was distressed to learn later that the system was actually developed with hospitals and trucking companies in mind.

- When visiting other users before making a purchase, pay close attention to the differences and similarities between that risk management department and your own.

"You assume one public government is like another, but that's not true; I should have asked them more about how their operation was like mine," she says.

By way of example, she recalls consulting with one particular user before deciding to buy her software. That city's risk manager raved about the system and its excellent check-writing abilities. But because Henrico County doesn't issue its own checks, this function proved not only worthless but disruptive: Overriding the check-writing feature became an obstructive, time-consuming nightmare, she says.

Like Ms. DeCampli, Dallas Risk Manager Mark Ferraro knows all too well some of the dangers that loom for RMIS shoppers.

"Everyone's overly optimistic. It's like buying a car—the salesman always exaggerates what the system can do. It's later when you deal with the serviceman that you find out what it can *really* do," says Mr. Ferraro, who discussed the pros and cons of an in-house RMIS at the recent annual conference of the Public Risk & Insurance Management Society in Seattle.

After obtaining data on its work comp claims experience from Corporate Systems in Amarillo, Texas, for more than three years, Dallas left the vendor—one of the RMIS market's largest—in January for what it has found to be greater flexibility, increased timeliness and less money at GAB Business Services Inc. of Parsippany, N.J.

Even though Dallas was on-line with Corporate Systems, the city often received reports on claims experience that were 30 to 45 days old: To compile its information, Corporate Systems first had to upload tapes of data from the city's claims administrator, Underwriters Adjusting Co. in Dallas.

Because Dallas' new source of claims information—GAB—is also its claims administrator, the city has access to data that is updated daily. Dallas is still adjusting to the new system, but is pleased with the transition, Mr. Ferraro says.

Corporate Systems provided GAB with a master tape of Dallas' claims experience, so GAB now has the city's claims history dating back to 1974.

Annualizing the cost for GAB's services over a three-year contract period, the city's total work comp claims administration expense is now about $33,000 a year. That compares with the almost $60,000 that it was paying Corporate Systems annually, Mr. Ferraro says.

He stresses that Dallas has no particular bone to pick with Corporate Systems' product—that system simply no longer suited the city's particular wants and needs.

Corporate Systems "lost the city of Dallas through no fault of their own," he says. Dallas wanted to be "an active, equal partner" in its work comp claims process, not a client served by a vendor that did the work and then handed over the numbers.

"Sometimes that sort of thing will happen, but I don't think it reflects a trend in the industry," Corporate Systems President Guyon Saunders says.

Mr. Ferraro offers concerned risk managers the following tips:

- Risk managers have to ask more and tougher questions.
- Risk managers should first determine what their specific needs are, as opposed to their wants.
- They must perform a cost-benefit analysis: Are these particular functions valuable enough to

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RMIS pitfalls

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our department to pay that much for them?

- Consider future growth. Dallas recently wanted to add 23 more variables to its claim profile; both Corporate Systems and GAB could handle that, but some systems can't, he says.
- Don't underestimate the value of an independent management information system consultant.
- Send your staff to professional computer training courses beyond what the vendor provides.
- Consider how the RMIS will interface with the company's finance and accounting departments.

One East Coast risk manager takes that last bit of advice a step further.

"A risk manager should attempt to have his (management information system) department, if there is one, review the operating system or language. It's important to get them involved," he says.

"As risk managers, we're generalists, not specialists in that arena. We need help from those who specialize in these things. I don't want to be at the mercy of the vendor."

This risk manager, who asked not to be identified, says clear communication with the vendor is of key importance.

Frustrated at how his system purchase was being bogged down for almost four months by incessant "letter-swapping" between attorneys for both the vendor and the employer, the risk manager finally demanded a conference call "to get down to brass tacks."

The 30-minute telephone conversation took place among four parties: the risk manager, his employer's attorney, the principal of the West Coast software firm and that firm's attorney. The discussion, which took place about two months ago, helped move the process along, and the risk manager expects to have his system installed soon.

But this won't be that risk manager's first RMIS. Like Dallas, this employer leased a system for years from another vendor.

"Why lease when I can buy? I'll be able to generate my own loss runs and control my own destiny," the risk manager reasons.

When it decided to purchase a system outright, the company considered buying the vendor's software, but decided against it because the hardware required for that arrangement made the cost "astronomical," the risk manager says.

In the end, the risk manager purchased three software programs from National Risk Management Inc. in San Ramon, Calif., for about the same amount it was paying each year in software lease fees.

The company paid about $34,000 for work comp, general liability and auto claims processing capabilities, he says. That price included installation and training.

Another piece of RMIS advice, especially for public entity risk managers, comes from Roberta McCreary, a risk management services consultant at The Wyatt Co. in San Francisco.

Of importance throughout the process—from vendor inquiries through system installation—is documentation, Ms. McCreary says.

She illustrates: When a California municipality recently entered final negotiations on its information system purchase, significant disputes arose with the vendor over what services would be included in the purchase price.

By that time, both the risk manager who initiated the project and the sales representative who assisted him had moved on to other jobs, leaving little documentation behind to clear up the misunderstanding.

The county believed the vendor would be responsible for transferring to the new system data that is provided monthly by the claims administrator. However, the vendor, which was recommended by Wyatt, maintained it couldn't perform that work, and certainly not at the price quoted.

In the end, a combination of documentation kept by Wyatt and recollections of the former risk manager convinced the vendor that it had agreed to provide the conversion at the agreed-upon cost, Ms. McCreary says.

"If they hadn't had us, they'd have had no other source of information," she says of the county's predicament.

"The word of wisdom might be: Make sure you keep clear documentation of the understandings, because you never know if the same people will be there. If you have a long buying cycle—especially if a budget must be approved—there's a chance the players won't be the same at implementation."

'Why lease when I can buy? I'll be able to. . . control my own destiny,' one risk manager reasons.

If the project is handled formally from the start—with a request for proposal and subsequently written proposals submitted—appropriate records will be around later for reference, Ms. McCreary points out.

However, if the risk manager prefers a less formal approach, pains should be taken to document discussions and agreements in writing at all stages, she says.

This way risk managers are less likely to find that the vendor selected doesn't meet an "over-enthusiastic promise of service" later, she says.

Another potential pitfall for RMIS users lies in relying on an outside administrator to provide the data needed by the system.

The county of San Louis Obispo, Calif., for instance, uses an RMIS developed by New York-based Anistics Inc., a leading vendor that is a subsidiary of Alexander & Alexander Services Inc.

Anistics receives the county's claim information from its TPA, which recently changed the format in which it delivered that data. Anistics currently can't do anything with the data as it is presented, reports Art Giumini, the county's risk manager.

Solely because the TPA changed its reporting procedures, the county has been without any liability or work comp claims information since March 31, he says.

The TPA didn't notify the county before making the change, Mr. Giumini says, although their contract says the information must be presented in an acceptable form. Other clients also are upset, he says.

He declined to identify the TPA while the dilemma is being solved. "They're addressing it, but it hasn't been resolved yet," he says.

In the meantime, Mr. Giumini can't establish new claim files with information beyond the person's name, claim number, date of occurrence and status of claim; he can't enter information like the part of the body that was injured or the time of the day an accident occurred.

But he doesn't blame this snafu on the vendor: "I'd give Anistics an A-plus, a gold star. They've bent over backwards to accommodate us," he says. ■

Few RMIS vendors market outside U.S.

By MICHAEL BRADFORD

Most risk management information system vendors, busy trying to satisfy a hungry domestic market, don't have much of an appetite for selling their products outside the United States.

Although some vendors offer risk management information systems to companies outside the United States and others use the systems in their own overseas offices, most vendors have not turned a serious eye toward automating risk management departments in other countries.

One of the reasons most vendors are staying home is because of the size of the untapped market in their own back yard.

Linda Sundram, assistant director of risk management information services at Travelers Corp. in Hartford, Conn., said she has seen estimates that indicate only 10% to 15% of risk management departments in the United States are fully automated.

And even that number, she says, "is a big leap forward from five years ago."

Richard Denning, president of Risk Sciences Group Inc. in Atlanta, agrees there is a lot of room for growth among vendors in the United States, though he points out that not every risk management department needs to be directly automated.

"There are a hell of a lot of ways to get at the service," he noted, including using brokers and other outside sources to provide information compiled through their RMIS.

Like other vendors, Risk Sciences is concentrating on automating risk management departments in the United States.

Mr. Denning said his company occasionally receives inquiries from companies in northern European and Scandinavian countries regarding Risk Sciences' products, but no systems have been sold to risk managers in these regions.

"We've had dialogue there, but we're not aggressively marketing in those countries and not contemplating doing that," Mr. Denning said.

Jack Conway, president of Conway Computer Consultants Inc. in Jackson, Miss., said businesses outside the United States have shown interest in Conway's PACCASSO claims administration and risk management information system.

But discussions with those companies have not resulted in overseas sales.

"I've talked to some in the past," explained Mr. Conway, "but it was nothing of a real serious nature."

Coopers & Lybrand has sold its Exhibitmaker Plus system to "a few firms in Toronto and Edmonton," says Thomas A. Johnson, actuarial assistant in the firm's Seattle office.

But there are no marketing efforts to place the loss reserving and claims analysis system in the hands of risk managers throughout the world.

"We've got the system in a few of our own offices" abroad, said Mr. Johnson, including Coopers & Lybrand offices in Australia, Singapore and England.

Anistics Inc., the New York-based subsidiary of Alexander & Alexander Inc., is one vendor that hopes to see its foreign market-share grow.

Richard B. Hall, executive vp of Anistics, said his company has installed its ARIS systems at four locations in Canada and about 10 of the systems have been installed in London.

Anistics also is seeking clients in Sydney, Australia, where Anistics has an office, he said.

Anistics benefits from its relationship with A&A's worldwide operations and is committed to "making Anistics a global entity," Mr. Hall said.

Other RMIS vendors that don't have ties to a parent company with offices throughout the world "don't have the same impetus to look overseas," Mr. Hall observed.

Barbara Jacobs, vp and head of the systems applications department at Anistics' New York office, said that marketing a RMIS in another country does not require a lot of system changes.

As far as information needs are concerned, risk managers in the United States and those in other countries "have an awful lot in common," she remarked.

Most of the differences in systems in this country and those abroad are mostly "detail items," she said. For example, Ms. Jacobs explained, there is more of a need for currency conversion functions in a RMIS for an overseas client and dates may have to be entered in a different format.

"As yet, the need for litigation tracking services is not as great as in the U.S.," said Ms. Jacobs, "but I think that is the quiet before the storm."

In Canada, she noted, risk managers are beginning to talk of an increasing number of claims that reach the courtroom and that may signal a greater need for programs that keep track of litigation faced by a company.

Although many RMIS vendors in the United States are not aggressively courting foreign accounts, there is at least one RMIS marketer from outside the country that has come to call on U.S. risk managers.

Dale-Parizeau Inc., the brokerage unit of Montreal-based Sodarcan Inc., is using its Sodarisk product as a marketing tool to attract new U.S. brokerage clients.

The system sells for $23,100 Canadian ($17,417 U.S. at current exchange rates), although the system is supplied to a client for free if it generates enough brokerage business for Dale-Parizeau.

For paying customers, the cost includes software, training and 50 hours of consulting services.

John M.J. Quesnel, vp and manager of risk management information services at Dale-Parizeau in Toronto, pointed out that Sodarisk currently has nine users in Canada and system demonstrations are being arranged in the United States.

The Canadian users of Sodarisk are all "very big" clients of Dale-Parizeau, said Mr. Quesnel, and include the province of Ontario and the Alberta provincial government. Another six users are expected to begin using the system soon, he added.

Mr. Quesnel explained that Sodarisk is "a fully integrated system. . . that's where we have a lead over some of the others." He ex-

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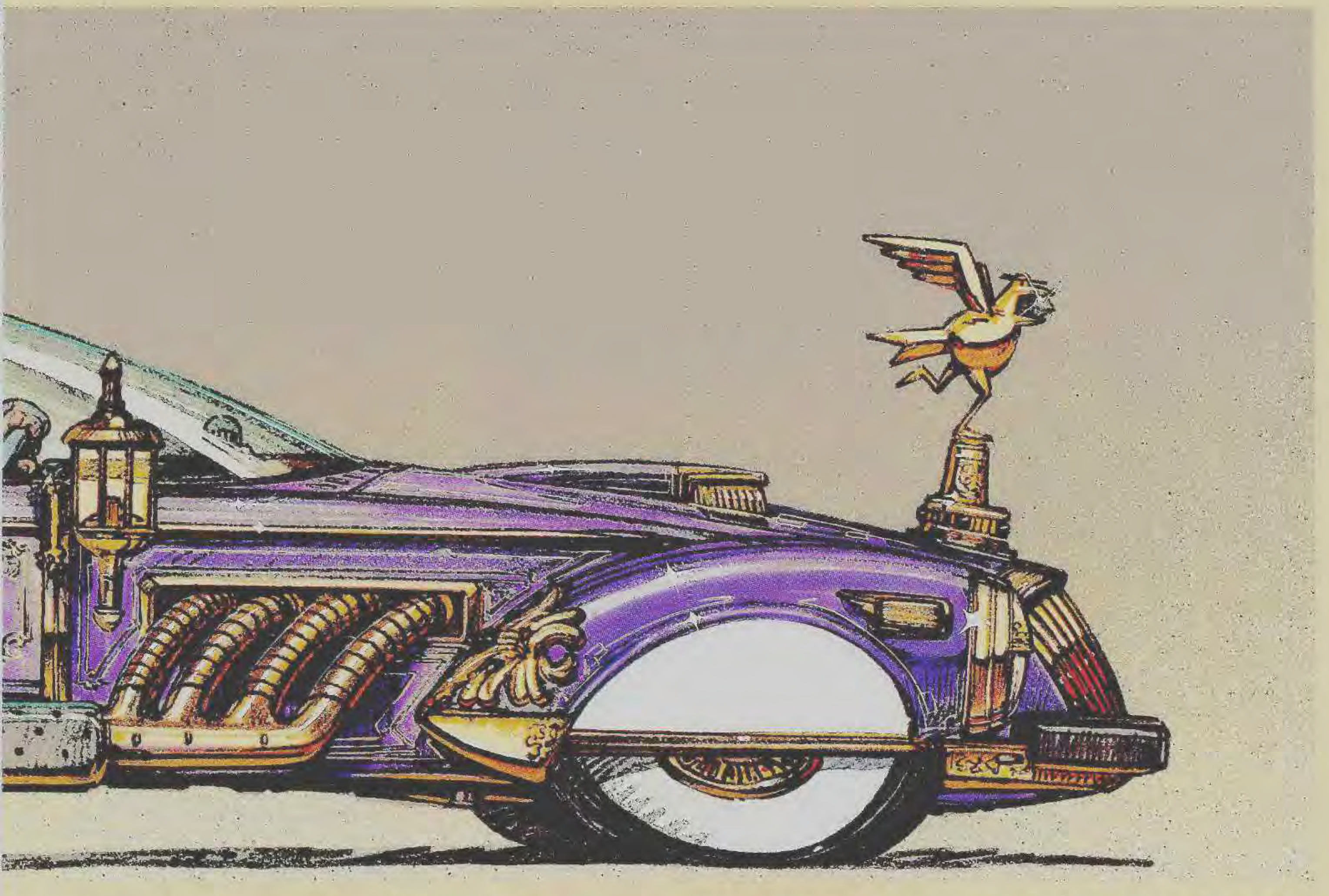

RMIS abroad

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plained that many other RMIS operate as modular systems and updating information in those systems can be slower than with the integrated operation.

Sodarisk operates on IBM Personal Computers or compatible microcomputers with at least 640 kilobytes of random access memory. A minimum 20-megabyte hard disk drive is required and the vendor recommends a high-speed dot matrix printer.

The number of claims the system can handle depends on the size of the hard disk drive used, according to Mr. Quesnel.

A Sodarisk user can access a variety of functions on the system, including accident reporting and claims administration.

Among other things, the RMIS stores accident report details, calculates potential losses, monitors claims settlement and provides accounting information for historical records.

It also will allocate losses and recoveries to the proper department, divisions or subsidiary within a company and calculate insurance premiums for each division.

Sodarisk's risk analysis functions enable management to manipulate historical claims, accident and exposure data by location, date, size, frequency and other categories. The program gives the user the ability to develop loss trending information.

Another component of Sodarisk maintains detailed descriptions of properties and their values. It also keeps track of specific industry requirements for jobs like construction projects.

A central directory keeps names and addresses of all risk management contacts.

Sodarisk can be operated in English or French.

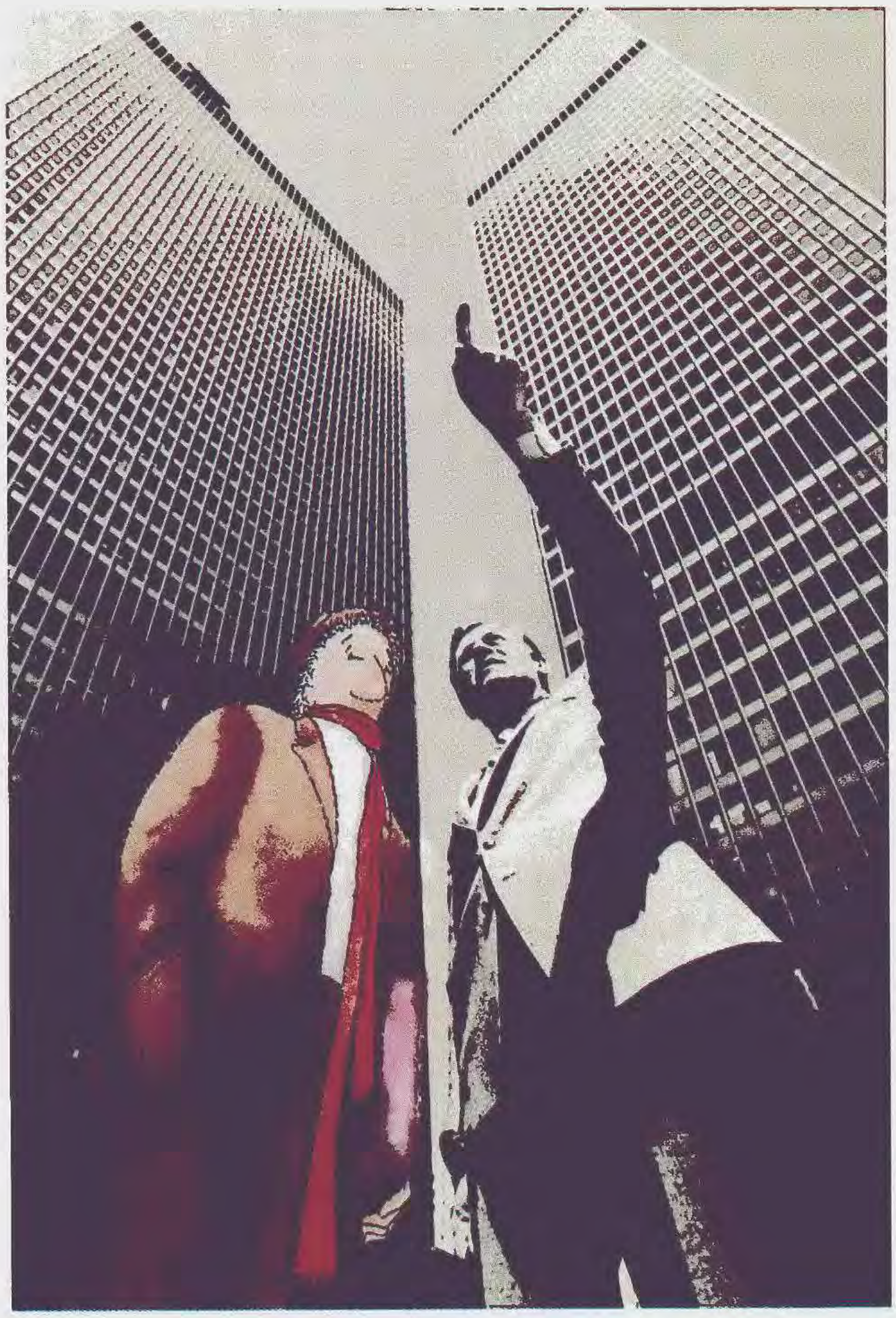
Mr. Quesnel explained that Sodarisk's marketing efforts in the United States may be boosted through a reciprocal agreement that Sodarcan holds with New York-based brokerage Corroon & Black Corp. Through the arrangement, Sodarcan provides brokerage services to C&B clients in Canada and C&B does the same for the Canadian brokerage's customers in the United States.

If Sodarisk can be marketed through the arrangement with C&B, "that will be a big exposure," said Mr. Quesnel.

In discussing Sodarisk's new push in the United States, Mr. Quesnel mentioned that he does not fear competition in Canada from American vendors.

"U.S. vendors feel the market in Canada isn't as large as the one in the U.S.," he remarked. And their systems are too expensive, he added.

"When I look at systems that cost $40,000 to $50,000 U.S. dollars and then add the exchange rate, it starts to get pretty expensive," said Mr. Quesnel. ■



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Barriers among RMIS vendors crumble

By STEVE TARAVELLA

Distinctions among the suppliers of risk management information systems, as in other segments of the risk management services field, are blurring.

For example, SOFTEC Inc., whose line of RISKMASTER products brought it to prominence in the RMIS marketplace in only three years, was acquired in April by the Darien, Conn.-based Tillinghast Division of Towers, Perrin, Forster & Crosby Inc., the largest risk management consultant in the world based on 1986 consulting revenues.

The previously independent software maker shed its name to operate as RISKMASTER, a Tillinghast unit in Livonia, Mich.

"It's a very complementary fit," says Mark E. Dorn, former SOFTEC president and now a Tillinghast principal. He pointed out that many RISKMASTER users also were Tillinghast clients.

In fact, that helped bring about merger discussions in the first place: Mr. Dorn and Tillinghast officials regularly met each other in professional settings and realized they had common professional interests, Mr. Dorn says.

While some RMIS vendors are merging with companies that do not sell software, more entrepreneurs are entering the marketplace. The 1987 *Business Insurance* directory of RMIS vendors lists 43 companies, up from 34 last year.

Among the different types of vendors offering software products with risk management applications are:

- Insurance companies, like The Travelers Insurance Co. in Hartford, Conn.
- Insurer affiliates, like DAVID Corp., a San Francisco unit of Beaver Pacific Corp./Nationwide Corp.
- Brokers, like Rollins Burdick Hunter Co.-Risk Management Services.
- Veteran independent vendors, like Corporate Systems in Amarillo, Texas.
- Start-up companies, like Pacific Technical Services Inc. in San Leandro, Calif.
- Actuarial firms, like Coopers & Lybrand.
- Consulting firm affiliates, like RISKMASTER.

"They're popping out of the woodwork," quips Gary Smart, vp of sales at California Interactive Computing in North Hollywood, an independent vendor.

Many of the newcomers, Mr. Smart notes, are not marketing their wares nationally, but instead are touting them primarily on a regional or state level. This is especially true for vendors of workers compensation systems, since injury reporting requirements vary from state to state.

One newcomer is Pacific Technical Services, which opened for business in January. The company now sells PTS Comp-Pac, a standalone workers compensation software program, and hopes by late August to introduce PTS GL, a liability claims processing program that also would have limited automobile and property claims monitoring abilities.

Started by Craig Zivolich, who previously worked for three years at competitor National Risk Management Inc. in San Ramon, Calif., Pacific Technical Services now has one part-time and three full-time employees. So far it has sold three versions of PTS Comp-Pac: two to California public entities and one to a California third-party administrator.

The software costs $9,000 for a single-user version, but with hardware and additional program copies, the package price has averaged about $31,000, Mr. Zivolich estimates.

For self-insurers that do not administer their own claims, Pacific sells PTS Fast-Track. This product, whose single-user version sells for $1,995, permits the user to download tapes of information provided by a claims administrator to the user's personal computer, where reports then can be generated.

Unlike many work comp systems, Fast-Track does not have check-writing abilities.

While some RMIS vendors develop products for general application, others target specific industries. For instance Cantor & Co. in Beverly Hills has established a reputation for its line of risk management software for hospitals and other health care facilities.

Most RMIS products are sold or leased by their developer, but some, like CIGNA Corp.'s CRIS, are available at little or no cost. CIGNA builds CRIS' fee into the premium structure for CIGNA policyholders that generate at least $1.5 million in annual premiums. About 525 CIGNA policyholders use CRIS today, up from about 450 a year ago.

Some vendors sell software designed for a variety of functions, while others market their software to risk managers concerned about specific types of losses.

Crisis Management Corp., for instance, is selling QUAKE RISK, a software program to help risk managers identify the probable maximum loss an earthquake would cause to their property.

The Redondo Beach, Calif., firm was formed earlier this year from the private risk management consulting practices of John H. Wiggins and Richard H. Soper, Levi Strauss & Co.'s longtime director of risk and insurance management. The new company specializes in

Continued on next page

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designing and implementing disaster management plans.

Other specialty systems are marketed by Actuarial Risk Services Inc. in Lincolnshire, Ill., an independently run subsidiary of Old Republic International Corp. in Chicago. One ARS data program enables risk managers to accumulate information on occupational disease-related workers compensation claims, while a counterpart calculation program uses that data to compute discounted reserves for long-term claims.

While most buyers are introduced to the RMIS world at one conference exhibit hall or another, access to vendors may broaden as the number of vendors grows.

For example, Armada Software Inc. recently convinced Wang Laboratories, a major computer manufacturer based in Lowell, Mass., to include Armada risk management software in its catalogs and at district sales offices across the country.

As a result of that arrangement, reached between the two companies in March, Wang now functions as a direct sales representative for Armada, says Chris Arndt, president of the 2-year-old Cerritos, Calif.-based company. Armada's stand-alone minicomputer software is marketed to large self-insured, self-administered companies.

While independent companies like Armada may be making inroads in the RMIS market, affiliates of some insurance brokers have had a difficult time.

RMIS affiliates of both New York-based Corroon & Black Corp. and Reed Stenhouse Inc. abandoned development and sales efforts for system consulting in 1984, and Marsh & McLennan Inc. followed suit last year (*BI*, July 21, 1986).

Today, M&M's Client Information Services division is aggressively marketing only MAESTRO, a $30,000 microcomputer product now being used in 10 corporate risk management departments nationwide. ■

BI's RMIS directory lists 43 companies

a

A&S Consultants Inc.

276 W. Main St., Northboro, Mass. 01532; 617-393-8228

Year founded: 1978.
Software products:
• Riskwatch: $495; unbundled hardware and software; personal computer; first installation, 1986; 10 total installations; functions include monitoring of workers compensation, auto liability, property damage and general liability claims.
Staff: Six total staff members.
Clients: Not reported.
User support: Telephone assistance.
1986 gross revenues: Not reported.
Principal officers: C. Nashawaty, president; N. Schwartz, vp.

Ability Information Systems Inc.

N. 2721 Van Marter, Suite 3, Spokane, Wash. 99206; 509-922-3677

Year founded: 1981.
Software products:
• LTD Problem Solver: unbundled hardware and software; minicomputer; first installation, 1981; 150 total installations; 10 risk management department installations; functions include automation of Social Security disability adjudication, rehabilitation, job matching and placement.
Staff: Nine total staff members, seven professional staff members.
Clients: 150 total clients; 10 risk management department clients; 80% with gross revenues less than $200 million, 10% $200 million-$500 million, 7% $500 million-$1 billion, 3% exceeding $3.5 billion.
1986 gross revenues: Not reported.
Principal officers: George Watters, president.

Actuarial Risk Services Inc.

111 Barclay Blvd., Lincolnshire, Ill. 60069; 312-634-0098

Year founded: 1983.
Software products:
• Occupational Disease Claim Databases: unbundled hardware and software; minicomputer or personal computer; five total installations; four risk management department installations; functions include maintenance of data base of workers compensation claims for reserve valuation.
• ARS Claim Calculation System: unbundled hardware and software; personal computer; first installation, 1986; four total installations; three risk management department installations; functions include computing discounted reserves for long-term workers compensation and general liability claims.
Staff: 15 total staff members, seven professional staff members.
Clients: 155 total clients; 15% with gross revenues $200 million-$500 million, 45% $1 billion-$3.5 billion, 40% exceeding $3.5 billion.
User support: Telephone assistance available seven hours per day.
1986 gross revenues: Not reported.
Principal officers: Robert K. Briscoe, president.

Adjustco Inc.

220 White Plains Road, Tarrytown, N.Y. 10591; 914-332-4747

Year founded: 1981.
Parent company: Frank B. Hall & Co. Inc.
Software products:
• The Pyramid Series: $20,000; unbundled hardware and software; personal computer; first installation, 1984; 114 total installations; 28 risk management department installations; functions include claims processing and risk management.
Staff: 30 total staff members, five professional staff members.
Clients: 114 total clients; 28 risk management department clients; 36% with gross revenues less than $200 million, 18% $200 million-$500 million, 14% $500 million-$1 billion, 11% $1 billion-$3.5 billion, 21% exceeding $3.5 billion.
User support: User groups and meetings, telephone assistance.
Branch offices: Maitland, Fla.; Chicago; Dallas; Santa Clara, Calif.; Briarcliff, N.Y.

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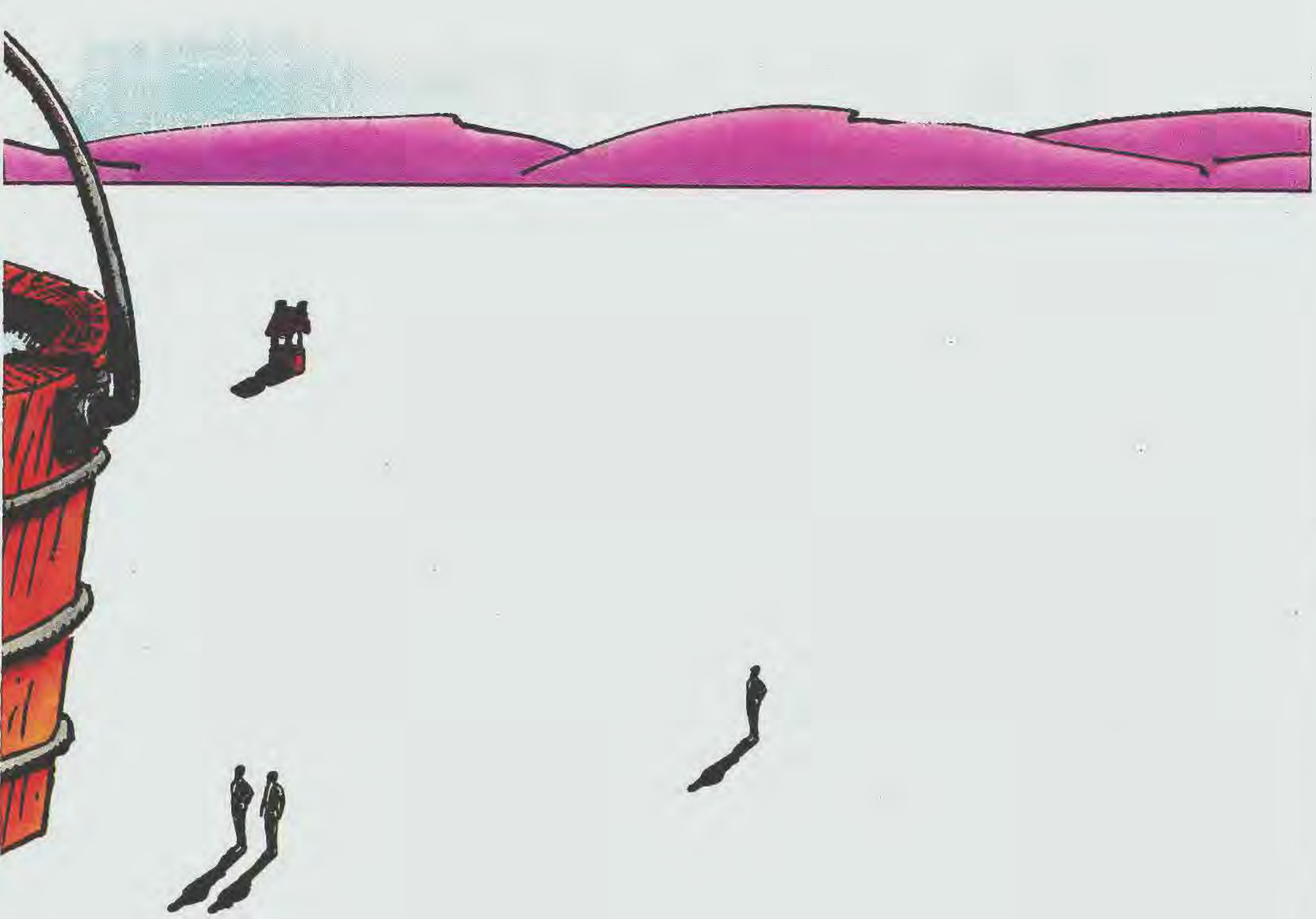

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1986 gross revenues: $3 million; 35% from hardware, 20% from software, 45% from services.

Principal officers: Walter Danielewski, chairman; Arthur Yoss, president; W.E. Kuebler, senior vp.

Anistics Inc.

220 E. 42nd St., Suite 500, New York, N.Y. 10017; 212-972-9600

Year founded: 1970.

Parent company: Alexander & Alexander Services Inc.

• ARIS*: $10,000-$175,000; unbundled hardware and software; available on a time-sharing basis; requires a personal computer or dumb terminal; first installation, 1979; 630 total installations; 158 risk management department installations; functions include claim tracking, payment processing, check writing, reporting and queries; employer clients include Allegheny Ludlum Corp., Triangle Industries, Imasco Enterprises Inc.

• Personal ARIS*: $775-$7,675; unbundled hardware and software; personal computer; first installation, 1983; 360 total installations; 286 risk management department installations; functions include claim tracking and reporting, policy tracking and reporting, loss forecasting, incident tracking and reporting, allocation systems, property tracking.

• Custom ARIS*: unbundled hardware and software; product is custom designed for client with functions such as marine cargo applications, premium billing, litigation management and asbestosis tracking; employer clients include Imasco Enterprises Inc.

Staff: 254 total staff members, 190 professional staff members.

Clients: 262 total clients.

User support: Telephone assistance available 24 hours per day; onsite and off-site client training.

Branch offices: Atlanta; Chicago; Los Angeles, San Francisco and Palo Alto, Calif.; London; Toronto; Sydney, Australia.

Principal officers: Luther T. Griffith, president/chief executive officer; William D. Scaff, chief operating officer; Richard B. Hall, executive vp.

Armada Software Inc.

13017 Artesia Blvd., Suite D234, Cerritos, Calif. 90701; 213-926-0553

Year founded: 1985.

Software products:

• Workers Compensation Claims Manager: available on a lease basis; bundled or unbundled hardware and software; minicomputer or microcomputer; first installation, 1985; two total risk management department installations; functions include claims processing and loss data reporting.

• Casualty Claims Manager-Auto/General Products: available on a lease basis; bundled hardware and software; minicomputer or microcomputer; first installation, 1986; two total risk management department installations; functions include claims processing and underwriting data reporting.

• RVS Bill Adjuster: available on a lease basis; bundled hardware and software; minicomputer or microcomputer; two total risk management department installations; functions include workers compensation claims adjusting.

Staff: 10 total staff members, four professional staff members.

Clients: 12 total risk management department clients, 100% with gross revenues less than $200 million.

User support: Telephone assistance available eight hours per day.

Principal officers: Chris Arndt, president; Linda A. Sullivan and Nadine Arndt, vps; William M. Sullivan, treasurer; Bernard Stein, manager software development.

C

C&A Computer Services Inc.

99 Cherry St., P.O. Box 67, Milford, Conn. 06460; 203-877-9888

Year founded: 1985.

Software products:

• Datatam: $1,500-$2,000; unbundled hardware and software; personal computer; first installation, 1986; two total risk management department installations; functions include incidents and workers compensation claims data collections, reporting, check writing, trending and analysis; clients include Root & Boyd Risk & Insurance Consulting Services Inc.

• C&A Claim/Agency Administration: $25,000; bundled hardware and software; minicomputer or desktop computer; first installation, 1985; four total installations; functions include data collection, reporting, trending and analysis; clients include Interprofessional Underwriters Inc.

Staff: 10 total staff members, six professional staff members.

Clients: 14 total clients, two risk management department clients, 100% with gross revenues less than $200 million.

User support: Telephone assistance, on-site assistance for clients.

1986 gross revenues: $59,095; 25% from hardware, 57% from software, 18% from services.

Principal officers: Wayne Wallberg, president.

California Interactive Computing Inc.

12517 Chandler Blvd., North Hollywood, Calif. 91604; 818-985-2680

Year founded: 1977.

Software products:

• Gencomp: $50,000; bundled or unbundled hardware and software; microcomputer, minicomputer or mainframe; first installation, 1977; more than 30 total installations; functions include administration of workers compensation claims.

• Genpac: $50,000; bundled or unbundled hardware and software; microcomputer or mainframe; first installation, 1978; more than 30 total installations; functions include administration of liability claims.

• Genrisk: $50,000; bundled or un-

Continued on page 38

How to use directory

The directory of risk management information systems includes companies that produce and supply software products to corporate risk management personnel in response to their information system needs.

Following the company name and address, the year founded and parent company (if any) are given.

Information on software products follows. Included are the average completely installed price, whether the software and hardware are bundled or unbundled, the type of hardware needed (mainframe, minicomputer or personal computer), the year of the first installation, the total number of installations to date, the number of installations to date in corporate risk management departments and the functions the product performs. A partial list of client companies is provided when supplied by the vendor.

Information on staff, clients, continued user support, locations of branch offices, 1986 gross revenues and names and titles of principal officers complete the listings.

The directory is printed as an editorial service; there is no charge for companies to be included. However, to be listed companies were required to complete a questionnaire provided by *Business Insurance*.

Although we make every effort to publish complete and accurate listings, *Business Insurance* is unable to verify information supplied by vendors.

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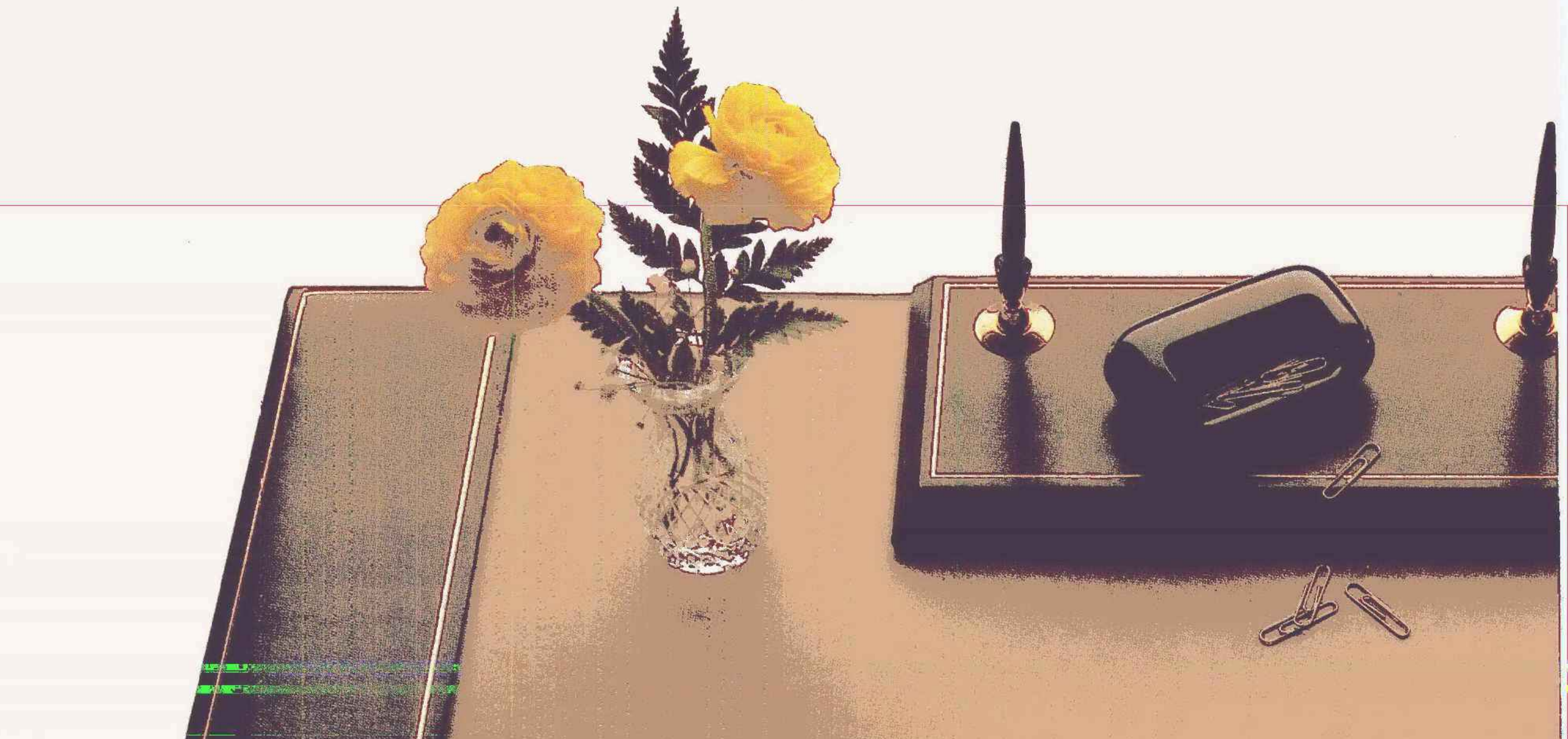

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YEARS

Uncertain image

Insurance industry must unite, put best foot forward

By Philip R. O'Connor

THE PAST SEVERAL YEARS have produced an extraordinarily difficult political situation for the property/casualty insurance industry. Compared with the general political environment in previous times, there are a number of new aspects of the current political landscape that tend to make the situation nearly intractable for the industry.

The most prominent of these new features are:

- The lack of a common paradigm defining the mission of the insurance industry and the context in which and the purposes for which the industry should be regulated.
- The proliferation of hostile interest groups that now have serious input into the legislative and regulatory process; until recently most were only minor players, non-existent or passively allied with the industry.
- Decreasing industry credibility and an increasingly fragmented industry that, ironically, is more frequently and inaccurately portrayed and perceived to be monolithic.

These features are intertwined in ways that make it very difficult to devise an approach that counters them. They are usually realities over which the property/casualty industry actually has little control. Further exacerbating the situation, the industry has tended to rely on outmoded strategic and tactical approaches that are often misdirected and sometimes counterproductive.

Simply put, there is no longer a consistently held and articulated theory about what the industry is and what purpose it should serve, particularly among those occupying decision-making roles in government and politics. In part, this is due to the dramatic change in the industry over the past decade, which reflects the changes in the economy and the financial markets.

Quite simply, insurance is expected to do more today for the same price for which it did less in years past.

Closely tied to this is the set of changed expectations about the role of insurance in our society. As the notion of entitlement and expansive tort system have become ingrained elements of our national outlook, insurance has been swept up in the change in attitudes. Quite simply, insurance is expected to do more today for the same price for which it did less in years past. And, as a service industry, insurance has tried to please, altering its products to try to satisfy demand.

The political rub comes in great part from the fact that insurance buyers do not have a clearly defined sense of how their own expectations and intensity of demand have changed over time. They simply cannot understand how substantial price increases, for what they see as the same or a lesser service, could not have resulted in substantially higher profits for the seller. Hence, the resentment.

From this resentment, in part, has come the rise of the interest groups—including traditional business-oriented allies—that have in many cases given themselves over to calls for regulation that they normally would oppose.

speaking out

Additional evidence about the lack of a coherent view of the business of insurance is found in the debate about the repeal of the McCarran-Ferguson Act and the overall role of antitrust laws in the insurance industry. Here the battle lines have been drawn by an incipient coalition of allies with stated goals that are diametrically opposed.

Reagan administration proponents of McCarran-Ferguson's repeal seem to argue that since the industry is essentially competitive from a structural and behavioral standpoint, the law should be more specifically reflective of reality. Others who subscribe to conspiracy theories about pricing and other activities in the industry see repeal as punitive, if for no other reason than that the insurance industry opposes repeal. At the same time as many of these people advocate repeal, they call for intensive rate regulation. Some of the more sophisticated realize that only the most intense and comprehensive state regulations will withstand scrutiny in the event of repeal.

All of this takes place when careful, scholarly analysis of issues, particularly with respect to the likely outcome of policy changes, is given short shrift. In fashion are rhetorical devices useful in 30-second sound bites on the evening news. The era in which far-reaching regulatory laws (such as those enacted early in the century or during the New Deal) can be worked out among experts schooled in theory and experience with politicians truly interested in actually solving a problem is no longer with us and may not return for some time. No one in particular is to blame for such a development. It is, more than anything else, a sign of the times.

Those who must be considered to be important players in the legislative debates regarding insurance now go well beyond the list of experts and politicians. Organizations of trial lawyers, groups representing specific segments of the insurance market (like day-care centers, medical practitioners, municipalities, etc.), consumer advocacy groups, business consumer organizations and the news media all participate in the process of influencing legislative debate and action on insurance issues. Almost all operate on a narrow base of both information and interest and occasionally end up advocating notions directly in conflict with their own stated goals—sometimes knowingly, sometimes not. Many of the new groups have thoroughly legitimate interests to protect. Others are in the business of advocacy.

The ability of these groups to have a substantial impact on the legislative and regulatory process is aided by the decreased credibility afforded government and established industry groups. Since Watergate and Vietnam, the veracity of official statements, whether from government or established institutions, has become immediately and routinely suspect. This increased suspicion is not completely without foundation, given recent history. However, despite this atmosphere of suspicion about official pronouncements, any spokesman, self-appointed or part of a non-established group, who has a counterclaim or advocates confrontation will likely be given fairly equal status as an establishment spokesman. However, this spokesman's motives or accuracy will not usually be subjected to the same critical examination as those of the government or industry spokesman.

There is less agreement within the industry itself on the best environment for its business than at any time in the recent past.

This situation may be lamented by some, including this writer, but should not be surprising. Nor should the blame be placed on a malevolent news media or evil "do-gooders." There is enough blame to go around, including some for the property/casualty industry itself for its sometimes unsupportable, inexplicable positions and tortured explanations for certain industry developments.

The inclination of people to doubt the statements of the insurance industry is not something unique to that business. Most institutions speak today with less authority than in times past. The emerging interest groups represent new sources of "authoritative" comments that have the ability to muddy the waters, particularly in the context of modern media and legislative politics. Their success is often aided by the industry's difficulty in clearly explaining its own positions.

The aggregate size of the industry, the fact that insurance is a basically unsatisfying sort of product, the likelihood that everyone has had (or at least heard about) one bad claims experience and the Byzantine nature of the industry's pricing and underwriting are not designed to inspire love and affection. In addition, while most Americans profess a belief in the market, they have the tendency to suspect anti-competitive conspiracies and advocate regulation whenever they have an unpleasant experience. "There oughta be a law."

Part of the industry's problem in expressing itself, even if it were given a fair hearing, is related to the continuing fragmentation and segmentation in the insurance business. There is less agreement within the industry itself on the best environment for the conduct of its business than at any time in the recent past. Further, there are obvious inconsistencies in some of the industry's own positions, which in one forum advocate competition as the best price regulator in some markets (auto insurance, commercial liability), while also supporting state-made rates in others (workers compensation).

Interestingly, while it is increasingly difficult for insurance trade associations to represent the range of views within their memberships, the very existence of those organizations tends to reinforce notions of the industry as a monolith, or even a monopoly or cartel. The irony of the industry attempting to speak with one voice on the issue of competition is not lost or unused by those, who while preaching the need for competition in the industry, actually advocate specific actions in increase regulation and repress competition.

Today one cannot even get industry unanimity on the question of federal regulation of insurance. Even within the ranks of state insurance regulators there are the rumblings of dissent over the very underpinnings of state regulation. Previously, the debates had been over the relative merits of more or less rate regulation and other issues which might have in the past been regarded as fundamental. This sort of fragmentation is only a bit more startling that that which is present in the industry and is closely related to it.

The industry has not been as supportive of high-quality state regulation as it could have been over the past decade or so. The resulting gaps in state insurance regulatory powers and practices, while probably

Continued on next page

Philip R. O'Connor, chairman and president of Palmer Bellevue Corp. in Chicago, was formerly director of the Illinois Insurance Department. He gave this speech at the Alliance of American Insurers' annual meeting in May.

ASK A BENEFIT MANAGER

Cash balance plans adopted for 2 reasons

Q **I am interested in knowing more about cash balance pension plans; how do they work and why have some companies changed from final and career pay plans to them?**

A My understanding is that the companies that have adopted cash balance pension programs to date have done so for two basic reasons:

✔ To reduce their pension costs.

✔ To take advantage of the attractiveness of the defined contribution concept by highlighting the value of pension benefits to younger employees.

What I would like to do is touch on each of these points in more detail and then review how cash balance plans actually work.

The pressure on pension costs, like the costs of all other employee benefits in the 1980s, is to review and determine if we can better control and reduce costs where possible. Much has been done and continues to be done to slow down increasing medical costs. This challenge will continue for our lifetime.

With regard to pension costs, we must look at this challenge as a basic proposition of what should a company provide to its employees in the way of retirement benefits; what should the income replacement ratio be; and what sources should be considered as replacement income. Let's trace the growth of retirement income sources beginning in the 1930s with Social Security, to private pension plans growing during World War II and reaching their heights in the 1970s, to the advent of the defined contribution savings plans in the late 1950s and reaching their real growth in the 1980s.

Have we overbuilt the retirement income system, particularly for our newer and younger employees who will be covered by these plans for a career if no changes are made? Also, can our business handle these costs in light of the worldwide competition we are challenged by?

Many companies are faced by reductions in workforce, early retirement window arrangements, etc., partly because of the costly expense structure currently in place. The companies that move to cash balance plans are in effect recognizing the facts of overcompensation and are attempting to reposition their retirement programs.

With regard to the attractiveness of defined benefit contribution plans, anyone who has been in the employee benefit business since the 1950s will agree that savings plans have generated the most excitement and appreciation from employees. With the changing demographics, including a younger and a more mobile work force with different employee attitudes, some companies have concluded that the cash balance program could improve employee appreciation of their retirement programs since it uses the savings plan concept for displaying retirement benefits—a cash account, not a difficult formula paying off some time in the distant future.

A cash balance pension plan is:

✔ A defined benefit plan that looks and acts like a defined contribution plan.

✔ From an employee's standpoint, a defined contribution plan.

✔ From an employer's standpoint, a defined benefit plan.

✔ A retirement benefit expressed as a cash account.

A cash balance plan provides:

✔ An account that grows through guaranteed interest credits.

✔ An account generally paid out at retirement in a lump sum.

✔ Benefits that are defined by formula: Annual benefit accrual plus interest credit.

✔ Actuarial factors to convert the account to monthly pension payments.

✔ For the employer to bear investment risks.

✔ A plan under which the employer can provide past-service benefits and updates on a cost-effective basis.

A cash balance plan continues the defined benefit plan funding approach:

✔ The employer has range of annual contribution levels.

✔ Use of surplus assets without plan termination.

✔ Amortization of gains, losses and benefits updates.

✔ Anticipation of forfeitures.

In conclusion, it seems to me that if an employer agrees that it must reposition its retirement income structure because of cost and/or over-provision of retirement income, the cash balance plan approach deserves consideration. It certainly is not the answer for all companies, but it does seem like an approach that could be better communicated to today's employees rather than a change back to career pay or fixed dollar plans.

It is also important to note that if an employer wants to continue to provide the current level of benefits at retirement, a cash balance plan will be more expensive than a final pay arrangement under almost any set of circumstances.

Would you like advice from an experienced colleague on a risk management, benefits management or actuarial problem? Four features in the Perspective section of Business Insurance can give you some answers.

Ask A Benefit Manager, Ask A Risk Manager, Ask A Casualty Actuary and Ask A Benefit Actuary answer written questions from readers on risk and benefits management issues and actuarial problems.

Mr. Duva

This month's column, on employee benefits issues is written by Joseph W. Duva, director of employee benefits at Allied-Signal Inc. in Morristown, N.J. Ralph F. Perry Jr., vp and director of risk management at Amfac Inc. in San Francisco answers risk management questions. And, William J. Miner, an actuary with The Wyatt Co. in Chicago, answers actuarial questions on benefits issues. Richard E. Sherman, a principal with Coopers & Lybrand in San Francisco, answers actuarial questions in the casualty field. Mr. Duva's and Mr. Perry's columns appear alternately on the second Monday of each month. Mr. Miner's and Mr. Sherman's columns appear alternately on the first Monday of each month. Mr. Duva's next column will appear in September.

Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.

Insurance industry can unite to improve image in society

Continued from previous page

quite good in comparison to much federal financial and consumer protection regulation, provides attractive evidence to industry critics of the need for additional intervention.

Are there solutions?

In the context of systemic change in the overall political environment in which the insurance industry and its regulation must function, there may be relatively little that the industry can do to mitigate today's situation.

Some efforts that can be made, however, to operate better within the current environment, which is less susceptible to alteration than is the industry's own behavior. Following are some suggestions for improving the industry's ability to more effectively operate in the existing political milieu:

• Tell a consistent story.

The truly tough call for trade associations is that they may have to take clear, aggressive positions that may not please some of their members. The process of watering down or blurring a policy position for the sake of peace within the group is likely to end up being a self-defeating approach.

Legislatures need clear proposals. This includes the need for the industry to resist the temptation to perform major surgery on NAIC model bills in state legislatures. When necessary, the trade associations must be prepared to publicly differ with individual companies making such efforts. The industry is unlikely to be more credible than its regulators.

Even among regulators there are rumblings of dissent over the very underpinnings of state regulation.

If the industry is in favor of competition, then it should be foursquare in favor of it—not picking and choosing from line to line or from state to state. It is hard to argue that the laws of economics are so malleable and retain much credibility.

• Support quality state regulation.

Not only is the industry itself better off with solid, professional regulation, since the only alternative is tepid and amateurish regulation, but so are consumers. It does little good to sing the praises of either state regulation or of how well things already work and then fail to promote adequate funding and staffing of insurance departments.

• Develop a new paradigm.

The industry's view of itself may well be out of synch with reality. The industry first needs to define its own mission before committing itself to large image advertising budgets designed to tell the public what it should believe. The financial services industry has changed radically, outdistancing the images and attitudes many of us grew up with.

• Do the research.

The industry's research to support its positions is often either weak or too complicated to be effective. The industry should make the effort to develop a body of research that goes to the heart of the issues raised by its critics and prepared to make its arguments in their critics' terms, if that is necessary.

• Go to the grass roots.

The chances of the industry influencing legislators through mass media campaign is virtually nil, considering the depth of the opinions and attitudes that dominate legislative battles over insurance.

The industry, on the legislative battlefield, needs to focus its financial and human resources on mobilizing sophisticated customers and opinion makers who will argue that additional price regulation and various punitive measurers supported by industry critics will only exacerbate the problems by raising prices or constricting availability.

Clearly, these are not easy times for the insurance industry in legislative forums. Rather than bemoaning its sorry fate, the industry can maintain and improve its position with key opinion leaders and policy makers by focusing its efforts in a manner consistent with the existing political and legislative framework. To do otherwise is to make little headway at best, and to invite significant setbacks at the federal and state levels.

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sonal computer; first installation, 1981; 38 total installations; 30 risk management installations; functions include workers compensation claims administration and analysis; clients include Port Authority of New York & New Jersey; TICO Energy, Sierra Pacific Industries.

• NRM Liability System: $10,000, $1,500 per user; bundled or unbundled hardware and software; mainframe, minicomputer or personal computer; first installation, 1981; 19 total installations; 15 risk management department installations; functions include liability claims administration and analysis; clients include TICO Energy, Educators Mutual Insurance Co., Bragg & Associates, Insurance Consulting Associates.

Staff: 12 total staff members, four professional staff members.

Clients: 39 total clients; 60% with gross revenues less than $200 million, 15% $200 million-$500 million, 15% $1 billion-$3.5 billion, 10% exceeding $3.5 billion.

User support: Telephone assistance.

1986 gross revenues: $2 million; 30% from hardware, 60% from software, 10% from services.

Principal officers: Frank E. Amatelli, president; LuEllen Steele, secretary/treasurer.

q

Quaestor
178 Gerald Drive, Danville, Calif. 94526; 415-820-6192

Year founded: 1986.

Software products:

• Quaestor (36 Models): $3,200 per package; unbundled hardware and software; personal computer; first installation, 1986; six total installations; two risk management department installations; functions include risk analysis for cash flow and loss projections.

Staff: Two total staff members who are professionals.

User support: Telephone assistance available eight hours per day.

1986 gross revenues: $14,000; 95% from software, 5% from services.

Principal officers: Raymond W. Stephens II, president.

r

Ricon Inc.
10200 S.W. Eastridge Ave., Suite 205, Portland, Ore. 97225; 503-297-4724

Year founded: 1985.

Software products:

• Riskpac: $12,000; unbundled hardware and software; microcomputer; first installation, 1985; 12 total installations; five risk management department installations; functions include record keeping and administration of workers compensation, general liability and property/casualty claims; employer clients include Fred Meyer Inc., Clackamas County (Ore.); TPA clients include Self-Insured Management Services Inc.

Staff: Five total staff members, three professional staff members.

Clients: 12 total risk management department clients; 90% with gross revenues less than $200 million, 10% $1 billion-$3.5 billion.

User support: Telephone assistance available eight hours per day.

1986 gross revenues: Not reported; 90% from software, 10% from services.

Principal officers: Richard H. Goffe, president.

Risk Sciences Group
5620 Glenridge Drive, Atlanta, Ga. 30342; 404-847-4512

Year founded: 1978.

Parent company: Crawford & Co.

Software products:

• Sigma+System: $25,000; bundled or unbundled hardware and software; personal computer; first installation, 1978; 90 total installations; 65 risk management department installations; functions include on-line inquiry and reporting, risk analysis, premium allocation, loss control, exposure monitor, forecasting, litigation management, claims administration; employer clients include Warner Lambert Co., Georgia-Pacific Corp., Anheuser-Busch Cos. Inc., Denny's Inc., Sears, Roebuck & Co.

• CAST: $3,000; bundled or unbundled hardware and software; personal computer; first installation, 1981; 90 total installations; 65 risk management installations; functions include forecasting of loss and expense through use of client data; employer clients include Warner Lambert Co., Anheuser-Busch Cos. Inc., Denny's Inc.

• Litigation Management: $15,000; bundled or unbundled hardware and software; personal computer; first installation, 1985; five total risk management department installations; product maintains details on cases, law firms involved, dates, expenses, case diaries, reporting; employer clients include Warner Lambert Co., Certainteed Corp.

• Policy Register System: personal computer; first installation, 1987; 75 total risk management department installations; functions include policy tracking and reporting.

Staff: 35 total staff members, 20 professional staff members.

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Clients: 60 total clients; 90 individual risk management office installations; 7.5% with gross revenues less than $200 million, 7.5% $200 million-$500 million, 25% $500 million-$1 billion, 35% $1 billion-$3.5 billion, 25% exceeding $3.5 billion.

User support: User groups and meetings, telephone assistance, client newsletter.

Branch offices: Corte Madera, Calif.; New York.

1986 gross revenues: $3.4 million; 1% from hardware, 66% from software, 33% from services.

Principal officers: Richard F. Denning, president; Dennis M. Aaron, vp-operations (California); Andy R. Daniels, vp-operations (New York); Carol J. Freytag, vp-computer development; John W. Huecksteadt, vp-computer services; Leo Jeffers, vp-market productions; R. Keating, vp-operations (Atlanta).

Rodriguez Consulting Group Inc.

4241 Baymeadows Road, Suite 1, Jacksonville, Fla. 32217; 904-731-4846; 904-731-1295

Year founded: 1984.

Software products:

- Risk Pilot: unbundled hardware and software; personal computer; first installation, 1986; one total risk management department installation; product performs claims administration, payment processing, reporting and risk management information functions.

Staff: Three total staff members who are professionals.

Clients: One total risk management department client with gross revenues less than $200 million.

User support: User groups and meetings, telephone assistance.

1986 gross revenues: Not reported.

Principal officers: Al Rodriguez, president; Clete Smith, assistant vp.

Rollins Burdick Hunter Co.-Risk Management Services

123 N. Wacker Drive, Chicago, Ill. 60606; 312-701-4000

Year founded: 1898.

Parent company: Aon Corp.

Software products:

- RISKAN: $2,500-$63,000 for installation, $2,000-$81,000 annual charge; bundled hardware and software; personal computer; first installation, 1982; 37 total installations; 23 risk management department installations; product performs risk management, insurance management, claims management, safety and loss control functions, establishes budgets and cost allocations.

Staff: 17 total staff members, 14 professional staff members.

Clients: 70 total clients; 20% with gross revenues less than $200 million, 30% $200 million-$500 million, 20% $500 million-$1 billion, 20% $1 billion-$3.5 billion, 10% exceeding $3.5 billion.

User support: User groups and meetings, telephone assistance available eight hours per day.

Branch offices: San Francisco, St. Louis.

1986 gross revenues: $700,000; 80% from software, 20% from services.

Principal officers: Arthur F. Quern, president/chief operating officer; Roger M. Simpson, senior vp; Gary Spirduso and Charles D. Kelly, second vps.

S

Sanddollar Enterprises Inc.

2000 E. 116th St., Suite 204, Carmel, Ind. 46032; 317-844-3800

Year founded: 1984.

Software products:

- SandREI (Stop-Loss Underwriting): $32,000; bundled hardware and software; personal computer; first installation, 1986; five total installations; functions include trend analysis, rate calculation; insurance company clients include Cox Insurance Group.

Staff: Seven total staff members, five professional staff members.

Clients: Five total clients, three risk management department clients with gross revenues less than $200 million.

User support: Telephone assistance available 10 hours per day.

Branch offices: Sanddollar North East Ltd., Paupack, Pa.

1986 gross revenues: $1 million; 10% from hardware, 85% from software, 5% from services.

Principal officers: Mark G. Hershinger, president; Patricia L. Huntsinger, secretary.

Seligman Information Systems

234 Garden St., Roslyn Heights, N.Y. 11577; 516-484-5177

Year founded: 1985.

Software products:

- Access-The Claims Information System: $5,000; unbundled hardware and software; personal computer; first installation, 1986; three total installations; functions include financial risk management, accident prevention and claims management.

Clients: Not reported.

User support: Telephone assistance available 12 hours per day, consulting with clients.

1986 gross revenues: Not reported.

Principal officers: Thomas Seligman, president.

t

3R Co.

39 Bowman Lane, Kings Park, N.Y. 11754; 516-265-1796

Year founded: 1985.

Software products:

- Triangle Analysis Loss Development Module: $299; unbundled hardware and software; personal computer; first installation, 1985; five total installations; functions include analyzing workers compensation and general liability loss reserves, measuring exposures; broker clients include Classic Funded Risk Services; reinsurance intermediary clients include Tretis Group Inc.
- Triangle Analysis Premium Adjustment Module: $99; unbundled hardware and software; personal computer; first installation, 1985; two total installations; functions include retrospective premium adjustment; broker clients include Classic Funded Risk Services.
- Triangle Analysis Loss Rating Module: $99; unbundled hardware and software; personal computer; first installation, 1987; four total installations; functions include premium ratings based on losses.

Staff: Two total staff members, one professional staff member.

Clients: Five total clients.

User support: Telephone assistance.

1986 gross revenues: More than $3,000, 100% from software.

Principal officers: Joseph A. Rinaldi, owner.

Tillinghast/RISKMASTER

33063 Schoolcraft Road, Livonia, Mich. 48150; 313-261-4440

Year founded: 1962.

Parent company: Towers, Perrin, Forster & Crosby.

Software products:

- Riskmaster: $6,000-$12,000; unbundled hardware and software; personal computer; first installation, 1982; 232 total installations; 225 risk management department installations; product performs functions for general liability and workers compensation claims, vehicle accidents, incidents and reporting; clients include Ancilla Domini Hospital, Wichert Insurance Services, The Budd Co.
- Riskmaster (Local Area Network): $12,000-$24,000; bundled or unbundled hardware and software; personal computer; first installation, 1986; eight total installations; seven risk management department installations; performs functions for general liability and workers compensa-

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tion claims, vehicle accidents, incidents and reporting.

• Riskmaster (minicomputer): $15,000-$30,000; bundled or unbundled hardware and software; minicomputer; first installation, 1982; 10 total installations; eight risk management department installations; product performs functions for general liability and workers compensation claims, vehicle accidents, incidents and reporting.

Clients: 250 total clients; 240 risk management department clients; 20% with gross revenues less than $200 million, 40% $200 million-$500 million, 25% $500 million-$1 billion, 10% $1 billion-$3.5 billion, 5% exceeding $3.5 billion.

User support: User groups and meetings, telephone assistance available 10 hours per day, consulting and newsletters for clients.

Branch offices: 30 offices throughout the world.

1986 gross revenues: More than $1 million; 10% from hardware, 70% from software, 20% from services.

Principal officers: Mark E. Dorn, principal-Riskmaster Unit; Q. Smith, J. Kielley and W.J. MacGinnitie, principals-Tillinghast Division of Towers, Perrin, Forster & Crosby.

The Travelers Cos.-Risk Management Information Services

One Tower Square, Hartford, Conn. 06183; 203-277-6943

Year founded: 1864.

Parent company: Travelers Corp.

Software products:

• CARMA: Approximately $55,000; unbundled hardware and software; personal computer; first installation, 1983; 104 total installations; 51 risk management department installations; functions include loss control, claims administration, financial information; employer clients include Beverly Enterprises.

• PC CARMA: $18,000; unbundled hardware and software; personal computer; first installation, 1985; 47 total installations; 44 risk management department installations; functions include loss control, claims administration, financial information; employer clients include Equifax Inc.

• Sailor On-Line: $10,000; bundled hardware and software; personal computer; first installation, 1984; 431 total installations; 383 risk management department installations; functions include loss control, claims administration, financial information; employer clients include Sammons Corp.

Staff: 117 total staff members, 74 professional staff members.

Clients: 478 total risk management clients; 21% with gross revenues less than $200 million, 37% $200 million-$500 million, 35% $500 million-$1 billion, 5% $1 billion-$3.5 billion, 2% exceeding $3.5 billion.

User support: User groups and meetings, telephone assistance available nine hours per day, client representatives.

Branch offices: Los Angeles.

1986 gross revenues: $2.7 million; 1% from hardware, 35% from software, 64% from services.

Principal officers: John E. Gardner, senior vp.

U

Underwriters Adjusting Co.

2 Corporate Place South, Piscataway, N.J. 08854; 201-981-8200

Year founded: 1918.

Parent company: Continental Corp.

Software products:

• Claims Backer: $18,000 annual fee, usage charge; unbundled hardware and software; personal computer; 85 total installations; two risk management department installations; functions include on-line claim and draft inquiries, generation of reports.

Staff: 3,400 total staff members, 2,300 professional staff members.

Clients: Two risk management department clients with gross revenues $1 billion-$3.5 billion.

User support: Publications for clients.

Branch offices: 75 locations in the U.S.; regional offices in Livingston, N.J.; Dallas; Chicago; Sacramento, Calif.

1986 gross revenues: Not reported.

Principal officers: Richard A. Simon, chairman; Joseph Roth, executive vp-operations; Adrian Tocklin, executive vp-claims; Robert F. Mastroberti, senior vp-operations; C. Lee Gabbert, senior vp-claims; George Czerwonka, vp-marketing.

United Systems & Software Inc.

P.O. Box 1606, Altamonte Springs, Fla. 32715; 305-834-2220

Year founded: 1979.

Software products:

• USSI Property & Casualty Administration System: $38,000-$72,000; bundled or unbundled hardware and software; mainframe; first installation, 1986; two total installations; functions include on-line daily processing and administration of property/casualty claims.

• USSI Self-Insured Fund Administrion for Workmens Compensation: $29,000-$40,000; bundled or unbundled hardware and software; mainframe; first installation, 1984; five total installations; functions include daily or periodic cycle processing and administration of self-insured workers compensation claims.

Staff: 48 total staff members.

Clients: 90 total clients.

User support: Telephone assistance, client newsletters, consulting and training for clients.

1986 gross revenues: Not reported.

Contact: Russell H. Kealen, national marketing director.

Universal Business Concepts

169 Edgewood Ave., Longmeadow, Mass. 01106; 413-567-9185

Year founded: 1984.

Software products:

• UBC Claim Track: $1,200; unbundled hardware and software; personal computer; first installation, 1987; two total risk management department installations; functions include management of general liability, workers compensation, commercial property and commercial auto claims.

Staff: Three total staff members.

Clients: 30 total clients, two risk management department clients, 100% with risk and insurance budgets less than $200 million.

User support: Telephone assistance available eight hours per day.

1986 gross revenues: Not reported.

Principal officers: Kevin Miller, president.

W

WLT Software of Florida Inc.

2087 U.S. 19 N., Suite D, Clearwater, Fla. 33575; 813-797-7814

Year founded: 1980.

Software products:

• Comp-Claims: $12,500-$50,000; bundled or unbundled hardware and software; minicomputer or personal computer; first installation, 1985; functions include tracking, payment, financial accounting and reporting of workers compensation claims.

Staff: Not reported.

Clients: Not reported.

User support: User groups and meetings, telephone assistance available nine hours per day, newsletters for clients.

1986 gross revenues: Not reported.

Principal officers: William L. Tiner Jr., president.

Scott Wetzel Services Inc.

500 Pacific Ave., P.O. Box 418, Bremerton, Wash. 98310; 206-479-0200

Year founded: 1942.

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Parent company: The Home Group Inc.

Software products:
• Claims & Risk Management System: $5,000; unbundled hardware and software; personal computer; first installation, 1982; six total risk management department installations; functions including inquiry, ad-hoc reports and loss control analysis; employer clients include Nordstrom Corp., Safeway Stores, Grand Union Co.

Staff: 57 total staff members, 11 professional staff members.

Clients: 92 total clients.

User support: User groups and meetings, telephone assistance available 24 hours per day.

Branch offices: Seattle and Spokane, Wash.; Orange, Calif.

1986 gross revenues: $35,000; 25% from hardware, 25% from software, 50% from services.

Principal officers: John R. Harrold, president; Robert B. Spratt, executive vp; Victor Teti, vp-information systems; Terry Neal, executive vp-finance; Warren Zimmerman, assistant vp.

Weyerhaeuser Information Systems

Mail Stop CCB-3C, Tacoma, Wash. 98477; 206-924-4200

Year founded: 1961.
Parent company: Weyerhaeuser Co.
Software products:
• CompTrack: $50,000; unbundled hardware and software; minicomputer; first installation, 1985; six total installations; functions include management of workers compensation programs; employer clients include United States Air Force, Simpson Timber Co., Crown Zellerbach Corp.
Staff: 12 total staff members, nine professional staff members.

Clients: Four total risk management department clients; 25% with gross revenues $500 million-$1 billion, 50% $1 billion-$3.5 billion, 25% exceeding $3.5 billion.
User support: Telephone assistance available eight hours per day, on-site training for clients.
1986 gross revenues: $450,000; 90% from software, 10% from services.
Principal officers: Frank Guthrie, vp; Jurij Pikas, director-new products; Bruce Thompson, product manager.

The Wyatt Co.

233 S. Wacker Drive, Sears Tower, 56th Floor, Chicago, Ill. 60606; 312-876-2000

Year founded: 1943.
Software products:
• Custom Designed Software for Analysis of Needs & Objectives: $4,000-$6,000; mainframe, minicomputer or personal computer; first installation, 1982; functions include claims administration and reporting; clients include Health Providers Insurance Co., Livingston International Corp.

• Custom Designed Software for Independent Anaylsis of Proposals & Systems: $6,000-$8,000; mainframe, minicomputer or personal computer; first installation, 1983; functions include claims administration and reporting; clients include The Clorox Co.

Staff: 65 total staff members, 42 professional staff members.

Clients: Not reported.

User support: Client consultation.

Branch offices: San Francisco; Washington, D.C.; Dallas; Detroit.
1986 gross revenues: Not reported.

Principal officers: J.P. Stanley, chairman; V. Clark Beaird, president. ■

Mexican firms use pensions for severance

Employers in Mexico increasingly are using pension plans to fund severance benefits for employees subject to mandatory retirement, a new survey shows.

Under Mexican labor law, mandatory retirement is considered "termination without just cause" and employees are entitled to large severance payments. However, about 40% of all the industrial companies operating in Mexico offer a pension payment option as a substitute for severance payments, according to a recent survey by Hewitt Associates.

By using a pension plan to pay the severance benefits, Mexican employers are able to take advantage of current tax deductions for plan contributions, whereas severance payments are not tax-deductible until actually paid to the employee, Hewitt points out.

The survey was prepared in cooperation with Intergamma S. de R.L. de C.V. Intergamma, a compensation consulting firm in Mexico City.

Of those companies that offer pension plan payments as an alternative to severance payments, 60% offer a lump-sum payment.

Seventy-three percent of the companies require 10 years of service before a worker is eligible for pension benefits. About 2% of the companies require fewer than 10 years of service, and the remainder of the companies require more than 10 years of service.

About half of the plans, or 51%, calculate pension benefits based on 12-month final average pay. Some 35% calculate average pay over a longer period, while 14% base pension benefits on the final month's pay. In general, the trend is toward averaging pay over shorter periods of time, the survey authors say.

In 69% of the plans, the normal retirement age is 65. Another 27% of the plans set normal retirement age at 60.

Eighty-seven percent of the plans allow early retirement. The average early retirement age is 57 and the average early retirement benefit is equal to 71% of the fully accrued pension benefit.

Employee contributions to pension plans are very rare in Mexico, and when allowed must be made on a post-tax basis, the survey says. Pension benefits, including lump-sum payments, are not taxable.

Employer contributions to pension plans are tax-deductible as long as the plan is funded and meets government requirements. But book reserves are not tax-deductible until the pension benefit is paid out.

About 20% of the companies surveyed reported having unfunded pension plans. Most unfunded pension plans pay lump-sum amounts equal to the legally required severance payments.

In addition, the survey also noted trends in Mexican employee benefits, including:

• 60% of the companies surveyed offered a major medical plan to all salaried employees, while 23% offered major medical benefits only to executives.

• The practice of "despensa," providing for basic staples through supermarket coupons or reimbursement programs, was the most common new benefit reported by Mexican companies in 1986.

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For an annual subscription to The Mexican Report, which is published twice a year, contact Cathy Schmidt, Hewitt Associates, 100 Half Day Road, Lincolnshire, Ill. 60015; 312-295-5000. The cost is $250.

Orion Capital names Sanborn president

Robert B. Sanborn has been appointed president and chief operating officer of Orion Capital Corp. in Farmington, Conn., parent of Orion Group Inc.


Mr. Sanborn

Mr. Sanborn succeeds **Edward J. Hobbs**, who resigned because of illness. Mr. Hobbs will serve as senior executive consultant to the company.

Previously, Mr. Sanborn was president and chief executive officer of The New Hampshire Insurance Co., a wholly owned subsidiary of American International Group Inc. in Manchester, N.H. Mr. Sanborn also was executive vp of AIG until he retired from the company in late 1986.

In addition, **James R. Stiles** has been named vp-loss control at Orion Group's operations division. He joined the company in 1984 and most recently was Western division loss control manager.

Other insurer changes:

Safety Mutual Corp. in St. Louis named **Harold F. Ilg** president and chief operating officer, succeeding **B.K. Werner**, who was named chairman and chief executive officer. Mr. Ilg had been executive vp of Safety Mutual, which writes excess workers compensation insurance for self-insured employers.


Mr. Ilg

In addition, **Terrence T. Schoeninger** named executive vp at Safety Mutual. He was most recently a vp.

Joseph R. McGrath elected vp of Crum & Forster Corp. in Morristown, N.J., responsible for national accounts. He had been vp of excess and special risk operations at Crum & Forster Commercial Insurance.

Stephen J. Albers elected president of Industrial Indemnity Co. of the Northwest, a Crum & Forster unit in Seattle. He had been resident vp of Industrial Indemnity's Seattle office.

Gary Purdom promoted to vp of Industrial Indemnity Co. of Alaska in Anchorage from resident vp.

Michael L. Schlosser elected vp for training and development at The North River Insurance Co. in Basking Ridge, N.J., a Crum & Forster subsidiary. Previously, Mr. Schlosser was assistant vp.

Also at North River, **Carl R. Follo** elected vp. Based in Parsippany, N.J., Mr. Follo will be responsible for company operations in the Northern New Jersey region. Previously, Mr. Follo was in charge of commercial operations underwriting. He joined the company in 1986.

Patrick R. Newlin elected vp-actuarial in the commercial insurance division at St. Paul Fire & Marine Insurance Co. in St. Paul, Minn. He previously was an actuarial officer with St. Paul.

Carl Santillo promoted to executive vp-operations of Wausau Insurance Cos. in Wausau, Wis. He had been senior vp-marketing. Mr. Santillo succeeds **Leslie J. Baumer**, who retired.

Also at Wausau, **Mark E. Fiebrink** promoted to senior vp and chief actuary. Mr. Fiebrink, who joined Wausau in 1970, had been vp and chief actuary.

Robert H. Dorgan appointed executive vp of Continental Corp.'s brokerage and special services operations group in New York. Most recently, Mr. Dorgan was senior vp.

comings & goings: industry

Robert Littlefield appointed vp and manager of the Marine Office of America Corp.'s branch office in New York. MOAC is a unit of Continental Corp. Previously, Mr. Littlefield was assistant branch manager in New York.

Reba C. Rogers elected vp-finance and chief financial officer of Ryder System's Insurance Division in Miami. Most recently, Ms. Rogers was group director-finance and control for the division.

In addition, **John D. Marshall** elected vp-audit, claims and engineering of Miami-based Southern Underwriters Inc., an operating unit of Ryder System's Insurance Division.

Richard J. Sampson named senior executive vp-group insurance operations for Mutual of Omaha and its life insurance affiliate United of Omaha in Omaha, Neb. Mr. Sampson has been executive vp since 1977.

Also at Mutual and United, **Albert C. Wagner** named vp-group managed care. Previously president and chief executive officer of Physicians Health Plan of Oklahoma, a Tulsa-based health maintenance organization, Mr. Wagner will be involved with the company's preferred provider organization, Mutually Preferred.

C. Thomas Starr II elected vp of Colonial Insurance Co. of California, a subsidiary of Nationwide Insurance Co. Mr. Starr will manage the company's Columbus, Ohio-based operations. Previously, Mr. Starr had been regional sales superintendent of Nationwide's operations in Ohio, Indiana and Illinois.

Cecil C. Booher joined Reliance Insurance Co. in Philadelphia as Southern regional vp. Mr. Booher will be responsible for branch operations, marketing and commercial accounts underwriting, as well as

Continued on page 54

Employee Benefits Communications Conference

On August 3 & 4 an influential group of employee benefit executives will meet to explore issues critical to their professional responsibilities. The annual Business Insurance Conference provides an opportunity to gain valuable insight into communicating benefits to employees.

Speakers

Jim Biggerstaft
Manager, Compensation & Benefits
PEARL HEALTH SERVICES
Tax Reform and 401K

Catherine A. Corse
Employee Benefits Officer
BARNETT BANKS INC.
Communicating COBRA

Laura Fairman
Director, Product Research & Development
Group Insurance Marketing
METROPOLITAN LIFE INSURANCE COMPANY
PANELIST: *Triple Options*

Victoria George
Benefits Specialist
Benefit Planning Department
BANKAMERICA CORPORATION
PANELIST: *Utilization Review*

Sally Gottlieb
Flex Plan Coordinator
PACIFIC GAS & ELECTRIC COMPANY
CASE STUDY: *Total Benefit Programs*

Alfred Hayes
Director, Human Resources
SONY CORPORATION OF AMERICA
CASE STUDY: *Computer Communications*

Jeffrey Horn
Principal
TOWERS, PERRIN, FORSTER & CROSBY
CASE STUDY: *Total Benefit Programs*

Alfred Malecki
Publisher
BUSINESS INSURANCE
EBC AWARDS

H. L. Marchant
Principal
WILLIAM M.MERCER-MEIDINGER-HANSEN,INC
CASE STUDY: *Interactive Video*

Kathryn J. McIntyre, A.R.M.
Editor
BUSINESS INSURANCE
OPENING REMARKS

Arnold Milstein, MD
President
NATIONAL MEDICAL AUDIT
PANELIST: *Utilization Review*

Agenda

Keynote Address ***Monday, August 3***
Influence — Elaina Zuker, President of Success Strategies, sets the tone for the 1987 EBC Conference. Effective communication possesses a powerful ability to influence. Communicators sometimes get lost in a maze of glitz and glitter, worrying too much about deadlines and production values. Employee benefits communicators may also get bogged down by legislative and health care cost control requirements. But no communicator should ever lose sight of the impact communication has ... its potential to influence attitudes, choices and response. Ms. Zuker will walk you through six influence styles — discover an approach that can get you results.

Communicating COBRA
COBRA Simplified — Creative ways of communicating COBRA to employees and keeping paper work down to a minimum. Find out how one company took the sting out of COBRA.

Triple Options
The Challenge — Communicating indemnity plans, HMO and PPO options to employees. The challenge begins with devising a plan that keeps information overload to a minimum and ends with effective communication that still defines the parameters of employees' choices.

EBC Awards Luncheon
Achievement — Recognizing outstanding communications programs, Alfred Malecki, Publisher, Business Insurance, presents the 15th Annual EBC Awards. Also shown will be the first place a-v winner.

Research — Techniques
Inspiration — Developments in consumer research and statistical techniques inspire a new management strategy that identifies employee satisfaction with benefits and their direct relation to corporate benefit costs.

Case Studies
Informal workshops, presented as concurrents, give you the opportunity to attend all sessions.

Flexible Benefits — A Total Program
Innovative — Pacific Gas & Electric Company's benefits program, "Flex," is a 1986 award-winning example of a total communications effort, effectively communicating flexible benefit options. They've taken the complexity out of choice. Their innovative approach incorporated input from their employees.

Interactive Videos
Creative Technology — When is it appropriate? This case study of the Ford Motor Company will cover the evaluation process that confirmed the use of interactive videos, the strategy for implementing this communication program, and examples of the technology used: touch screen, digital audio and video disc.

eBC
• conference •

John Parkington, PhD
Director, Organization Research
& Analysis Services
THE WYATT COMPANY
Research

Timothy Stentiford
Consultant
HEWITT ASSOCIATES
CASE STUDY: *Computer Communications*

I. B. Wallman
Employee Benefits department,
Employee Relations Staff
FORD MOTOR COMPANY
CASE STUDY: *Interactive Video*

Herb Zeltner
President
HERBERT ZELTNER CONSULTING INC.
You Be The Judge

Edward J. Zeman
Director, Employee Services
THE LONG ISLAND RAILROAD
PANELIST: *Triple Options*

Elaina Zuker
President
SUCCESS STRATEGIES
KEYNOTE: Influence In Communication

Computer Communication
The Cutting Edge — Why Sony Corporation opted for computer communication and how they combined market trends with technological innovations to implement state-of-the-art interactive computer communication vehicles. This case study walks you through personalized benefits and provides scenarios for combining benefit options.

Case Studies ***Tuesday, August 4***
All three case studies [...]ated.

You Be The Judge
A-V Excellence — Prese[...] annually, this energetic session presents audio-visual programs submitted to the EBC Competition. You be the judge — see what other industry professionals are doing in this medium.

Luncheon
A final opportunity to gather with industry leaders and peers.

Utilization Review
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The BI Conference opens Sunday, August 2, with registration check-in and a cocktail reception from 5-7pm. Sessions begin Monday, August 3 at 8:30am. The conference adjourns Tuesday, August 4 at 4:30pm.

The cost is **$650**. A 10% discount is offered to additional registrants from the same company. The fee includes sessions, workbook, educational materials, and scheduled functions.

Payment required with registration. All registrations will be confirmed.

Cancellations must be received in writing. A refund will be made on cancellations received prior to July 1. A **$100** service charge will apply to cancellations received after July 1. No refund will be made on cancellations received less than 5 business days prior to the conference. If your plans change, you may substitute the name of another person from your company without penalty.

To register, complete the form and send it with your payment to:

Business Insurance, Communication Services Department,
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Hotel Accommodations
We have set aside a limited block of rooms at a special rate of **$130 single/$150 double**, at the Grand Hyatt Hotel in New York City. These rates are available to Conference Registrants only, and will be honored until July 13.

You must mention the *Business Insurance Benefits Conference* when making your reservations. Hotel cards will be included with your Conference Registration Confirmation. Or call the Grand Hyatt Hotel at **(212)850-5900**; or toll free at **(800)228-9000**.

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We have arranged for discounted airline tickets to New York City from almost every location in the U.S. Contact Travel Technology Group at **800/524-4442**. You must mention the *Business Insurance Benefits Conference* to take advantage of these low rates with no restrictions.

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comings & goings: industry

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special accounts operations for the Southern states. Mr. Booher previously was Southeast regional manager of The Travelers Insurance Co.'s national accounts group.

Thomas J. Reed promoted to vp in charge of claims operations at Penn-America Insurance Co., a subsidiary of Penn Independent Corp. in Hatboro, Pa. He had been an assistant vp. In addition, **Edmund L. Barnes**, Penn-America's vp-claims, is now responsible for supervising claims activities at all Penn Independent units.

Frederick C. McKee appointed vp-claims operations at Merchants Insurance Group in Buffalo, N.Y. Previously, Mr. McKee was state claims manager with Nationwide Insurance Co. in San Antonio, Texas.

Salvatore G. Buccolo elected vp-branch operations for Maryland Casualty Corp. in Baltimore. Previously, Mr. Buccolo was second vp-branch operations.


Mr. McKee

Guy W. Cox II promoted to regional vp in the group division of Mutual Benefit Life Insurance Co. in Miami. He will continue to head the Miami office and oversee group sales offices in six states.

Excess/surplus

James L. Hippard appointed senior vp of Excess & Surplus Line Insurance Brokers in Sherman Oaks, Calif. Previously, Mr. Hippard was branch manager at Hull & Co. in Lincoln, Neb., and president of American Eagle General Agency, also in Lincoln.

Ronald W. Seymour appointed vp of Hull & Co. (California) Inc. in Santa Ana, Calif. He was most recently resident vp of Sayre & Toso's Orange, Calif., office. Hull & Co. is a Fort Lauderdale, Fla.-based surplus lines broker.

Barry Scott appointed vp and manager of the Richmond, Va., branch office of Tri-State General Insurance Agency Ltd. Tri-State General is a managing general agency.

Brian J. Waters joined J.J. Negley Associates of Cedar Grove, N.J., as executive vp. Previously, Mr. Waters was vp at National Union Fire Insurance Co. of Pittsburgh, Pa., responsible for commercial insurance programs. J.J. Negley Associates is an underwriting manager specializing in insurance for health and social services agencies.

Deborah L. Grivens joined Doranco Inc. of Mechanicsburg, Pa., as vp and general counsel. She also will be responsible for insurance agents errors and omissions and media libel and slander insurance programs.

Arthur Schuler appointed senior vp of Western Brokers Insurance Services Inc. in Los Angeles. Previously, Mr. Schuler was president of Brentwood General Agency, a Burbank, Calif.-based managing general agency and a subsidiary of Orion Group.

Reinsurance

Michael A. Jones named vp and head of the treaty division of American Re-Insurance Co. in New York. He had been a vp. In addition, **Gilbert Tiberio** named vp in charge of treaty account management. He had been vp in charge of New York account management.

Edward J. Noonan promoted to vp and head of New York account management from assistant vp.

Agents/brokers

Roberta A. Davis joined Rollins Burdick Hunter Co. as a senior vp in Los Angeles, where she assumes management as well as account supervising responsibilities. Ms. Davis, known especially for her expertise in directors and officers liability insurance, had been a vp at Johnson & Higgins in Los Angeles.

Mary Ann Ridder promoted to president of Brougher Life Insurance Co., the brokerage unit of Brougher Insurance Group Inc. of Greenwood, Ind. Brougher Life specializes in medical stop loss and group life coverages.

James L. Herter joined Rollins Burdick Hunter of Texas Inc. as a vp in Dallas. Prior to joining RBH, Mr. Herter had 26 years of brokerage and consulting experience.

In addition, **Robert M. Parker** joined Rollins Burdick Hunter Co. in Trevose, Pa., as vp in its Direct Response Insurance Services division. Mr. Parker will focus on accountant liability programs.

David M. Glantz named president and chief executive officer of Rollins Burdick Hunter International Inc. in Chicago, a unit of Rollins Burdick Hunter Co. **John R. Pacholick**, RBH senior vp and manager of the Central states region, will be the subsidiary's vice chairman. Prior to his promotion, Mr. Glantz was vp and manager of the international department of RBH Illinois Inc.

James L. Hamilton promoted to chairman from president of Rollins Burdick Hunter of Missouri Inc. in St. Louis. In addition, **Carroll J. (Cid) Keane Sr.** named president and chief executive officer, and **Louis O. Gys** named executive vp and chief operating officer. Prior to their promotions, Mr. Keane and Mr. Gys were both executive vps of the St. Louis office.

At Rollins Burdick Hunter of Ohio Inc., **Robert W. Bandel** appointed president.

Robert G. Toal appointed vp of Frank B. Hall & Co. of Fairfield/Westchester, Conn. Based in Briarcliff, N.Y., Mr. Toal is responsible for new business development as well as servicing existing accounts. Previously, Mr. Toal was vp-risk management for Coca-Cola Bottling Co. in Greenwich, Conn.

Gary Goddard joined San Francisco Agencies Inc. as senior vp. Previously, Mr. Goddard was vp of Fred S. James & Co. of California in San Francisco.

Henrietta A. Little promoted to executive vp at E.G. Bowman Co. Inc. in New York. Ms. Little, who joined Bowman in 1964, had been vp.

Other suppliers

William J. Nicholas promoted to chief operating officer of Yaffe & Co. Inc. in Baltimore. Mr. Nicholas joined Yaffe & Co. in 1984 as a principal. He will retain his account management and consulting responsibilities.


Mr. Nicholas

Mark J. Salzler joined Booke & Co. as vp and retirement consultant in the Columbus, Ohio, office. Previously, Mr. Salzler was an associate and pension consultant with William M. Mercer-Meidinger-Hansen Inc. in Columbus.

Robert Aizley joined Swerling Milton Ginsberg Public Adjusters Inc. in Boston. Previously, Mr. Aizley was a principal in Campos & Stratis, an international accounting firm in Boston. ■

Continental Insurance to join American Excess line slip

markets

New York-based Continental Insurance Co. in December will join American Excess Insurance Assn., a line slip that writes excess liability insurance with limits of $75 million excess of $25 million.

"American Excess is helping to fill a vital and specific need in the excess liability marketplace," said William E. Thiele, executive vp of Continental Corp. and president of its Brokerage and Special Operations Group.

Continental will become the 10th member of the American Slip. The other members are: Aetna Life & Casualty Co.; Insurance Co. of North America, a CIGNA Corp. unit; Chubb Group; Crum & Forster; General Accident Insurance Co.; The Home Insurance Co.; NAC Re Corp.; Travelers Corp.; and Zurich-American Insurance Group.

Continental will join the slip on Dec. 1 to coincide with the start of the association's fiscal year.

In its first year, the American Slip wrote 150 accounts with annualized premiums totaling $120 million.

Political risk unit

Citicorp has launched a new company that will underwrite political risks.

Citicorp International Trade Indemnity Inc. in Woodcliff Lake, N.J., has been capitalized at $10 million. Initially the company will focus on contract-related risks, such as contract repudiation, but plans later to expand into investment-related risks.

Peter Clark, formerly managing director of reinsurance for the federal Overseas Private Investment Corp. in Washington, is president of the new insurer.

Alex Lotocki, formerly political risks underwriter for American International Group Inc. in New York, has joined the new company as senior underwriter.

Mr. Clark said he does not know how much premium the insurer will write or what coverage limits will be offered.

Because federal banking laws prohibit banks from engaging in insurance-related activities, the new company was formed as an independent corporation, not as a direct subsidiary of Citicorp. However, Mr. Clark also noted that federal banking laws do not apply to international insurance activities.

Citicorp International Trade Indemnity Corp. is located at 50 Tice Blvd., Woodcliff Lake, N.J. 07675; 201-307-0335.

Greene acquisition

Thomas A. Greene & Co. Inc., the reinsurance brokerage subsidiary of Alexander & Alexander Services Inc. in New York, has acquired certain assets of Ropner & Arnold Inc., another New-York based reinsurance broker.

With the acquisition, Greene will generate gross revenues of $30 million this year, according to President Thomas A. Greene.

Greene was the eighth-largest U.S. reinsurance broker ranked by *Business Insurance* last year based on 1985 gross revenues of $21 million.

Consultant formed

Evergreen Risk Management Services, a new risk management consulting firm, has been formed in Hawthorne, Calif., by Gwen Wamsley, national risk manager at Toyota Motors USA Inc. for the past 18 months.

Evergreen will offer local businesses a variety of general risk management consulting services, including risk management auditing and marketing studies and assistance in forming risk purchasing or risk retention groups.

Ms. Wamsley established Evergreen June 1, after leaving Toyota a month earlier.

Prior to that, she was risk manager at Elixir Industries in Gardena, Calif.

Evergreen Risk Management Services is located at 14147 S. Hawthorne Blvd., Hawthorne, Calif. 90250; 213-318-8843.

New Bermuda broker

A subsidiary of Lloyd's of London broker Gibbs Hartley Cooper Ltd. is forming a Bermuda-based broker in partnership with Harnett & Richardson of Bermuda.

Gibbs Harnett & Richardson International Ltd. is being set up to gain access to A.C.E. Insurance Co. Ltd. and X.L. Insurance Co. Ltd., two large policyholder-owned liability insurers based in Bermuda.

Continued on next page

markets

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But, Paul Scope, a director of the new joint venture, said late last month that he also expects the broker to handle hard-to-place risks.

Mr. Scope, who is insurance manager with Harnett & Richardson, the property/casualty underwriting agents in Bermuda for Lloyd's, Guardian Royal Exchange P.L.C. and CIGNA Corp., predicts that business flowing through the new brokerage will be significant.

"We're expecting premium volume of at least $10 million in the first full year of operation."

The company probably will consider expanding into insurance management services later this year, he said.

The Gibbs Hartley Cooper subsidiary that is to hold a majority stake in the broker is G.H.C. Financial Institution Insurance Services Ltd., which was formed two years ago.

Prescription benefits

Nationwide Vision Services Inc., a national eye-care preferred provider organization, has launched a new subsidiary to provide managed pharmaceutical services.

The new subsidiary, North American Pharmaceutical Services, is a third-party claims administrator devoted strictly to processing drug claims. The company also offers a system of utilization review to help employers hold down prescription drug costs.

"There is a real need to cost contain the drug benefit," said William G. Beyer, president of NPS. He explained that because prescription drug benefits are most often buried in a major medical plan, there is no oversight or utilization review.

Employers, insurance companies, health maintenance organizations and preferred provider organizations can contract directly with NPS. The new company can design programs that are tailored to meet the cost-containment goals of the client through the use of deductibles and copayments.

In addition, NPS offers a mail-order prescription drug program that allows enrollees to purchase some maintenance and critical care drugs in larger quantities at a lower price and with reduced handling charges.

That program is being launched on a nationwide basis. Mr. Beyer said he hopes to have 350,000 to 400,000 enrollees within two years.

Before joining NPS, Mr. Beyer was a vp at Blue Cross of Arizona.

North American Pharmaceutical Services Inc. is located at 4201 N. 24th St., Suite 380, Phoenix, Ariz. 85016; 602-468-3950.

Name change

AID Corp. of Des Moines, Iowa, changed its name to **Allied Group Inc.** at its annual stockholder's meeting.

Mergers/acquisitions

Paterson Cook Ltd., an actuarial and employee benefits consulting firm with offices in Western Canada, has merged with **The Alexander Consulting Group Ltd.** of Toronto, a subsidiary of Alexander & Alexander Services Inc.

Two Dallas surplus lines brokerages, **Skeels, Mullens & Associates Inc.** and **Felts Surplus Lines Agency**, have merged to form **Felts, Skeels, Mullens & Fuos**.

Wayne, Pa.-based **Intracorp**, a CIGNA Corp. unit, has sold its **ACORN** division to Dr. Mel S. Goldsmith, executive director of ACORN. The new company will be called ACORN PsychManagement Corp. ACORN is an employee assistance program and mental health management organization.

New offices

POMCO, a Syracuse, N.Y.-based benefits consultant, has relocated to 2425 James St., Syracuse, N.Y. 13206; 315-432-1966.

In addition, **POMCO** has relocated its Allentown, Pa., branch office to 5990 Hamilton Blvd., Suite A, Allentown, Pa. 18106; 215-395-2088.

Bynum Insurance Inc. has moved to 1 Riverway, Suite 1500, Houston, Texas 77056; 713-621-1020.

Hull & Co. Inc., a surplus lines broker, has opened a new office at 222 W. Las Colinas Blvd., Suite 541, P.O. Box 147, Irving, Texas 75309; 214-401-4007.

Merrill Lynch Settlement Services Inc. has relocated its San Francisco office to 131 Stewart St., San Francisco, Calif. 94105; 415-543-5554.

Reinsurance broker **E.W. Blanch Co.** has opened a branch office at CityPlace, 185 Asylum St., 31st Floor, Hartford, Conn. 06103; 203-275-6528.

American Builders & Insurance Contractors Brokerage Inc. has moved its corporate headquarters to 3183-C Airway Ave., Costa Mesa, Calif. 92626; 714-536-0045.

Kelter-Thorner Insurance Agency Inc. of Southern California has relocated to Victoria Plaza, 2183 Fairview Road, Costa Mesa, Calif. 92627; 714-642-6500.

Insurance broker **Parker, Smith & Feek Inc.** has opened a branch office at 1 Aleut Plaza, Suite 200, 4000 Old Steward Highway, Anchorage, Alaska 99503; 907-562-2225.

Adjuster **Alex N. Sill Co.** has opened two new offices at 125 Wolf Road, Albany, N.Y. 12205, 518-458-9136; and 17171 Park Row, Houston, Texas 713-578-0071.

Tesseract Corp., an employee benefits software manufacturer, has moved its headquarters to 150 Spear St., 10th Floor, P.O. Box 7658, San Francisco, Calif. 94120-7658; 415-543-9320.

Booke & Co., an employee benefits consulting firm based in Winston-Salem, N.C., has opened two new offices: 31 Inverness Center Parkway, Suite 110, Birmingham, Ala. 35243, 205-991-9723; and 7450 Horizon Drive, Suite 290, Columbus, Ohio 43085; 614-436-8100.

Young's Insurance Agency Inc. has relocated to 9100 Southwest Freeway 203, Houston, Texas 77074; 713-772-2773. ■

Revised tax proposal easier on Lloyd's

By STACY SHAPIRO and CAROLYN ALDRED

LONDON—Lloyd's of London is giving a "qualified welcome" to a revised tax proposal that would treat Lloyd's reinsurance-to-close premiums more leniently than an earlier proposal.

The Conservative government earlier this year proposed in its Finance Bill that funds that Lloyd's syndicates reserve to cover future claims be treated similarly to insurance companies' loss reserves for tax purposes (*BI*, May 4; May 18).

This meant that the funds, known as reinsurance-to-close, would be subject to review by the Inland Revenue and would be tax-deductible only if based on adequate evidence or data. In addition, such treatment of reinsurance-to-close could have increased Lloyd's members' tax liability, which Lloyd's feared could lead to a reduction in membership and a decrease in market capacity.

Lloyd's opposition to the proposal was so strong that the government deleted the clause to pass the bill before Parliament was dissolved in May to prepare for the June general election.

Now, in a Summer Finance Bill —written to enact proposals that were not included in the Finance Act passed in May—the government has introduced a more lenient proposal affecting Lloyd's reinsurance-to-close premiums.

Clause 70 of the new bill allows reinsurance-to-close premiums to be tax-deductible if they do not exceed "a fair and reasonable assessment of the value of the liabilities" made by underwriters.

A "fair and reasonable" assessment is defined as "one which is arrived at with a view to producing the result that neither a profit nor a loss accrues to the underwriter to whom the premium is payable," says an Inland Revenue announcement.

The clause, if approved by Parliament, is expected to affect Lloyd's 1985 results, which close Dec. 31, 1987, under Lloyd's three-year accounting system, the Inland Revenue said.

The new clause "will not be as disastrous as the original clause would have been," Lloyd's Chief Executive Alan Lord said. However, "it will require more precision on our part."

PCW settlement

The Council of Lloyd's has officially agreed to the implementation of Lloyd's settlement offer to bail out members of loss-riddled non-marine syndicates formerly managed by PCW Underwriting Agencies Ltd.

More than 97% of the PCW members accepted Lloyd's offer last month (*BI*, June 29).

Under the terms of the offer, which takes effect July 17:

- Lloyd's has agreed that a reinsurance-to-close premium in the amount of the settlement will be paid to Lloyd's syndicate 9001, whose members are Lloyd's chairman and two elected deputy chairmen, to pay the PCW syndicates' losses.

The syndicate will be fully reinsured by Lioncover Insurance Co. Ltd., an authorized insurance company wholly owned by Lloyd's.

- Additional Underwriting Agency (No. 3) Ltd. will cease to act as a substitute agent for the PCW syndicates and direct members. These roles will be assumed by Additional Underwriting Agencies (No. 4) Ltd. as managing agent for the syndicates, and Additional Underwriting Agencies (No. 5) Ltd. as the members' agent.

london

AUA4's directors are Chairman Ivor Binney, a member of the Lloyd's Council and deputy chairman of Lloyd's broker C.T. Bowring & Co. Ltd. until his early retirement earlier this year; Managing Director C.N. Palmer, principal director of Reinsurance Claims Services (London) Ltd.; N.G. Laing, a trial lawyer and former managing director of Allstate Insurance Co. Ltd.; and John Oliver, director of and former active underwriter for three syndicates managed by Stewart & Hughman Ltd.

Mr. Palmer and Mr. Laing are also directors of Lioncover.

AUA5's director, William F. Goodier, had been a director of AUA3.

Howden layoffs

Lloyd's of London broker Alexander Howden Ltd. laid off 13 employees in its marine division, including some division directors.

Marine insurance business has declined, a Howden spokesman said, while trimming was needed at all levels in the division, which employed 160 people, including 26 directors and 16 assistant directors.

The layoffs also reflect consolidation efforts by Howden's parent company, Alexander & Alexander Services Inc., in light of its 1985 acquisition of Reed Stenhouse Cos. Ltd., the spokesman said.

The layoffs were not ordered because Howden felt the division was weakened by the resignation of eight marine division staffers in April who later joined Ropner Insurance Services Ltd., the spokesman said

Syndicate boom

More new syndicates will be formed next year at Lloyd's of London than this year, according to the syndicate applications that already have been filed.

So far, Lloyd's has received applications from 14 new syndicates that will begin writing Jan. 1, including two that will be managed by two new underwriting agencies, said a Lloyd's spokesman.

That's at least three more new syndicates than this year, when 11 new syndicates began writing business, he said. No new underwriting agencies were formed that began operations this year.

Opren litigation

Pharmaceutical maker Eli Lilly & Co. is offering compensation to several of the 1,500 British claimants alleging damages caused by Opren, an anti-arthritis drug marketed by Lily in the United Kingdom in the early 1980s.

"Lilly has made offers through the High Court's payment-into-court procedure on a number of Opren cases," said Richard Bailey, managing director of Lilly Indus-

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tries Ltd., a British subsidiary of the Indianapolis-based company.

Offers have been made to five of the 1,500 plaintiffs who are suing Lilly in British courts for deaths and injuries allegedly caused by Opren, said Neil Kinsella, an attorney with of Pannone Napier, one of the law firms representing the plaintiffs.

Eli Lilly refused to say how many offers it has made.

Under the payment-into-court procedure, if the plaintiff refuses an offer from a defendant, the judge has the authority to make the plaintiff pay all litigation costs occurring after the date of the offer, said Mr. Kinsella. No decision has been made yet whether to accept the offers, he added.

The offers were made the day after an action group acting for the alleged victims mounted a publicity campaign in Britain in an effort to recover damages from the drug company.

In a full page advertisement in The Times on July 1 headlined "An appeal to the conscience of Eli Lilly & Co.," the claimants urged the U.S. and British directors of Lilly, whose addresses appeared in the ad, to compensate the claimants.

Meanwhile, the benefactor who offered to pay the legal costs of 500 plaintiffs who are not entitled to legal aid from the British government was identified earlier this month as Godfrey Bradman, a British financier and property tycoon. He and Des Wilson, chairman of the British Liberal Party, are helping organize the publicity campaign against Eli Lilly, said Kathleen Grasham, chairman of the Opren Action Group.

Hogg Robinson

Both Hogg Robinson Group P.L.C. and Fenchurch Insurance Holdings Ltd. say they're disappointed they could not agree to a merger by the time Hogg split its brokerage and travel services divisions into two separate companies last month (*BI*, June 29).

Under the proposed merger, Fenchurch parent Guinness Peat Group P.L.C. would have owned between 45% and 48% of the new company, according to a statement released last week by Guinness Peat Chairman Alastair Morton.

In addition, Fenchurch Chairman Geoffrey Knight would have been made chairman of the new company, while Fenchurch Managing Director Roger Earl would have become managing director.

Christopher Price, chief executive of Hogg's brokerage division, would have been named chairman of the new company's retail brokerage division, said Mr. Earl.

Problems, however, could not be solved before Hogg announced that it would split its brokerage and travel divisions into two separate companies, which was scheduled to take place with or without the merger, said Mr. Earl. The two companies will split under a unique "demerger" allowed under the British Finance Act of 1980.

"In the time frame of the demerger, we could not get some of the problems resolved," Mr. Earl said. "It was a friendly decision" to stop talks.

"We still had a number of questions to settle on terms, on the demerger arrangements and on structure. It is a pity," said Mr. Morton.

Hogg Chairman Albert Wheway added: "The two companies are of like mind. We have a lot in common. . . we are complimentary. . . our people seemed to fit."

Although there are no plans to resume merger talks in the near future, "it is perfectly possible" that Fenchurch and Hogg will talk again in the distant future, said Mr. Earl.

In the meantime, Hogg Robinson Group will hold an extraordinary general meeting July 27 to approve the demerger and the sale of additional stock to raise 33.7 million pounds ($54.3 million) of capital for the new travel company, Hogg Robinson P.L.C.

Underwriting charges

For the first time, Lloyd's of London has made public a comprehensive list of underwriting agents' charges to members.

Each members' agency is receiving a catalog of the charges made by all Lloyd's members' agencies. In addition, anyone can purchase a microfiche of the charges for 10 pounds, said Lloyd's Chief Executive Alan Lord.

All Lloyd's members are being sent information about how to obtain a copy of the charges, he said.

In the meantime, the Council of Lloyd's also has passed two more recommendations made by the government committee headed by Sir Patrick Neill, said Mr. Lord (*BI*, Jan. 26).

Auditors now will examine financial transactions between Lloyd's members and their agents. Also, the full Lloyd's Council—rather than the smaller Committee of Lloyd's, which is made up of the working members on the council—will be responsible for the registration of underwriting agents.

Long-tail risk

Lloyd's of London Chief Executive Alan Lord was upstaged at a recent press conference when a mouse peeped out from one of the many steel beams in the new Lloyd's building and tried to scurry to the other side of the room to the kitchens of the Captain's Room restaurant.

The mouse, however, saw so many people that he scurried back into the beam.

When told about the mouse, Mr. Lord said it would bring good luck to the year-old building.

Stephen Merrett, chairman of Merrett Holdings P.L.C., who attended the press conference, suggested later that Lloyd's hire a cat to "police the place" and name it either Alan or Peter—as in Lloyd's Chairman Peter Miller.

M.F. Parry, Lloyd's general services manager, later sent a satirical internal memo on the subject of "Good Mousekeeping—1986 Building," describing how the mouse upstaged Mr. Lord after "appearing unannounced from behind the wainscot."

"Mr. Lord was disconcerted by this interloper whom the press obviously found much more fascinating than the message that Mr. Lord was trying to get across," said Mr. Parry. "No doubt you will ensure that stern disciplinary measures are taken to prevent a recurrence of this incident. I am having the security aspects investigated as this obviously constitutes a serious breach of Lloyd's security regulations."

Comings & goings

Hugh C. Gemmell has been appointed an additional deputy chairman of Lloyd's of London broker Sedgwick U.K. Ltd. Mr. Gemmell was formerly a director of Sedgwick U.K.

James Keefe has been appointed a director of Bowring Marine & Energy Insurance Brokers Ltd. **Charles Cullum** has been appointed a director of Bowring Members Agency Ltd.

David Finch, Richard Harding and **Michael Jones** have been appointed directors of Bowring London Ltd. ■

High-risk pregnancy costs target of case management

products & services

MaterniCall, marketed by Cost Care Inc., attempts to minimize costs associated with problem births by identifying high-risk pregnancies in their early stages instead of waiting until the birth to apply case management.

"The emotional and financial impact of having a baby that is not born healthy can be tremendous," says Dr. Paul Bluestein, assistant corporate medical director at Cost Care, a utilization review and case management firm in Huntington Beach, Calif.

To reduce the risk for both mother and baby, MaterniCall tries to identify women whose pregnancies present certain risk factors. Among them: a pregnancy involving twins or triplets; a previous premature delivery; a history of uterine or cervical surgery; the use of cocaine or other drugs; alcohol abuse; or hypertension.

Cost Care has contracted with about 150 perinatologists nationwide for on-site visits and telephone consultations, Dr. Bluestein says. Perinatologists usually undergo about two years of special training beyond the instruction for obstetricians.

"Patients and doctors can't overcome problems effectively if they don't know the problems are there," he says.

For more information on MaterniCall, contact Dr. Bluestein at Cost Care, 17011 Beach Blvd., Huntington Beach, Calif. 92647; 714-842-4909.

Work comp software

A new software package translates the ground rules and guidelines in workers compensation fee schedules into actual maximum reimbursement allowances.

Insurance Software Packages Inc. of Tampa, Fla., has released a new stand-alone Workers Compensation Medical Fee Schedule Validation System that can be installed on IBM personal computers and IBM compatible microcomputers.

With the system, claims examiners can automatically validate medical appropriateness and causal relationship.

The system is divided into two levels: Level I, which costs $3,500, is an on-line inquiry system that provides computer screen displays of procedures, charges, allowable amounts, print-outs of each screen display and reasons for any reductions in charges.

Level II, which costs $9,000, is a medical billing management system that accumulates medical claims history, checks duplicate billings, monitors surgery follow-up days and prepares reports explaining medical benefits for reduced or disallowed medical charges.

For more information, contact George H. Cannon, director, ISP Services Division, Insurance Software Packages Inc., 5118 N. 56th St., Suite 102, Tampa, Fla. 33610; 813-621-6069 in Florida, or 800-237-8133 out of state.

Claims-made tail

Two new policies have been developed by United Capitol Insurance Co. of Atlanta to provide tail coverage for companies changing their claims-made policies, either to occurrence-based coverage or to a new claims-made insurer.

"Over the last few years, many insureds have had their insurance programs written on a claims-made basis. With occurrence coverage, and more competitive claims-made programs becoming available, the insured now finds himself faced with a dilemma—continuity of coverage," says Steven S. Zeitman, vp-excess casualty lines.

"Occurrence Continuity Coverage" is written for policyholders switching to an occurrence policy and provides up to five years for reporting claims occurring during the previous claims-made policy period.

A $500,000 limit is available for a minimum premium of $50,000, either on a primary or excess basis.

In addition, United Capitol offers an extended reporting period policy for companies that elect to renew expiring claims-made coverage with a new claims-made insurer that will only write the risk with a retroactive inception date, according to Mr. Zeitman. The policy provides an extended reporting period for the non-renewed policy.

A limit of $500,000 is available at a minimum premium of $50,000.

For more information, contact Steven Zeitman, Vp-Excess Casualty lines, United Capitol Insurance Co., 1400 Lake Hearn Drive, Atlanta, Ga. 30319; 404-843-5599. ■

Florida hopes to foster HMO competition

benefit beat

Beginning Oct. 1, all health maintenance organizations seeking to contract with the state of Florida to cover state employees will have to participate in a competitive bidding process.

And, as part of that competitive bidding process, the state will require all HMOs contracting with the state to charge the same premium as the state's self-insured group indemnity plan.

These changes are mandated by a new law passed by the Florida Legislature, introduced as H.B. 195.

As a result of the changes, HMOs no longer will be able to gain enrollees by marketing discounted premiums to state government employees.

"HMOs will have to market their products based on the quality of the providers in their networks and the quality of service they deliver. They will not be competing based only on who has a lower premium. We think that we will see a lot more quality HMOs this way," explained Dennis Nye, director of the Office of State Employee Insurance in the Department of Administration.

"We think that HMOs are a lower-cost alternative, but we have to introduce the element of competition. This does not mean competition just against indemnity plans, but against other HMOs," he explained.

The state currently pays varying premiums for different classes of employees for individual and family coverage under its self-insured indemnity plan. The state makes the same contribution toward individual or family coverage for employees selecting coverage through an HMO.

For example, the state currently pays $65.20 a month toward the cost of individual coverage and $122.80 a month for family coverage for some groups of employees, regardless of the option chosen.

Employees in this group who are enrolled in the indemnity plan must contribute $15.18 a month for individual coverage or $55.64 a month for family coverage.

If these employees choose HMO coverage, their premium contributions vary according to the HMO they choose.

For example, MetLife Health Care Network Inc., an HMO subsidiary of New York-based Metropolitan Life Insurance Co., charges $65.20 a month for individual coverage, so state employees contribute nothing toward the cost for individual coverage.

The MetLife HMO charges $163 a month for family coverage, leaving the employees to pay $40.20 a month.

Another HMO, Healthplan Southeast, charges $79.50 a month for individual coverage and $187.52 a month for family coverage, so employees must contribute $14.30 for individual coverage and $64.72 for family coverage.

As a result of the competitive bidding process and the requirement that HMOs charge the same premium as the indemnity plan, some employees could pay more and others will pay less, depending on what they currently pay for HMO coverage.

The state estimates that about 27% of employees enrolled in HMOs will pay higher contributions, primarily those purchasing individual coverage, said Mr. Nye. Those increases could range from 1 cent to $17 per month.

But, about 73% of employees currently in HMOs will pay less, primarily those purchasing family coverage.

The state hopes to save a total of $6 million by forcing HMOs to competitively bid for contracts. Of that, it expects the state's indemnity plan to save $4.7 million and employees to save an aggregate of $2 million.

Savings in the state's premium contributions under the new law "will be calculated with our total claims experience to reduce premium costs for all employees" in subsequent years, Mr. Nye explained.

The state also hopes to narrow down the 64 HMOs it currently offers to its 112,000 employees to "about 10 or 12. We believe that competitive bidding will enable us to narrow this down and still cover the same service areas," Mr. Nye said.

About 30% of the state government's employees are enrolled in HMOs.

Well-child care

New Haven, Conn.-based Southern New England Telephone Co. is making a commitment to wellness, as well as trying to combat adverse selection against its traditional indemnity health care plan.

Beginning Jan. 1, well-child care will be fully covered by the company's self-insured indemnity plan, said Jeanne Kardos, division manager in charge of employee benefits for SNET.

The benefit will be offered to the company's 14,000 salaried and union employees.

"We are recognizing that well-child care is something we should cover by waiving the deductibles and copayments for the care," she said.

Along with covering well-child care, the company also is developing a preferred provider organization to be implemented Jan. 1, she added.

"By covering well-child care and developing a PPO, we'll be able to develop a strategy to handle adverse selection against our indemnity plan. We have documented adverse selection against our indemnity plan by HMOs that cover well-child care. Our plan is being selected against because we didn't cover this care," Ms. Kardos explained.

"This is our new strategy: to get employees to take care of childhood illnesses early," she said, as well to alert employees to the new coverage under the indemnity plan.

Normally, SNET employees pay annual deductibles of $150 for individual coverage and $300 for family coverage. They also pay 20% of the first $5,000 of covered expenses.

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Benefit beat keeps insurance and employee benefit managers informed on what other companies are doing and of current developments in the employee benefit field. We'd like to know if you've made any changes. Write Donna DiBlase, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; 312-649-5393.

Mutual Fire rehab

Continued from page 2

Thomas Manisero, an attorney with the New York firm of Wilson, Elser, Moskowitz, Edelman & Dicker, which is representing Mutual Fire, Marine in the rehabilitation proceedings, said first-quarter 1987 figures show the insurer is insolvent by around $150 million.

However, Mr. Manisero said the recently approved plan appears "very positive. It's an innovative way to treat an insolvency situation. It treats all creditors fairly."

The policyholder committee also was pleased with the approval order.

"The order approving the plan recognizes the dynamics of the need to verify liabilities and the dynamics of needing some more first-hand information on collection of reinsurance and other assets," noted Richard A. Brown, an attorney with Baynard, Harrell, Mascara & Ostow, the firm representing the policyholders.

Mr. Manisero pointed out that the rehabilitation plan is "a much better alternative than statutory liquidation," because if the insurer is eventually liquidated, there would be no guaranty fund coverage for surplus lines insurance or reinsurance it wrote, and only a few states provide guaranty fund payments of financial guarantee claims.

According to Mr. Manisero, the Insurance Department will spend the weeks until Oct. 23 adjusting claims and determining whether there are sufficient assets to pay direct policyholder claims in full. If there are sufficient assets, payments will begin soon after the 120-day period ends.

If there are insufficient assets to pay direct policyholder claims in full, Ms. Foster can request the extension or ask the court to liquidate the insurer.

Also during the 120-day period, the department will attempt to determine how to collect reinsurance and any other funds that may be owed to Mutual Fire, Marine. The implementation of claims payments hinges partly on the outcome of arbitration involving reinsurers of the surety bond coverage written by Mutual Fire, Marine to guarantee loans to limited partnerships.

The financial guarantees were written to cover promissory notes issued by the limited partnerships to banks and financial institutions that had loaned money to the operations. Premiums totaled $13.4 million to cover bonded exposures of $335 million in principal and $100 million in interest for 7,500 partnerships in 1983 and 1984. The coverage was written to limits of $150,000 for individual investors and to $7.2 million for the partnerships.

Mutual Fire, Marine ceded about 70% of the exposure to domestic and Bermuda reinsurers and retained 30% of the risk.

Reinsurers are attempting to rescind the reinsurance agreements connected to the financial guarantees, charging fraud and mismanagement by Mutual Fire, Marine. The arbitration proceedings are being held under jurisdiction of the United States District Court for the Southern District of New York.

If the dispute is not settled "substantially in favor of Mutual Fire," or is unresolved by the end of the 120-day period, the insurance commissioner may seek to either modify the rehabilitation plan or liquidate the insurer, according to the plan.

The reinsurance written on the surety bond coverage the Insurance Department is seeking to recover would cover the claims of lenders whose loans to limited partnerships were guaranteed by the bonds.

Although the plan leaves open the possibility that Mutual Fire, Marine could re-enter the insurance business once its liabilities are paid, it does not suggest such a scenario.

The plan is 'an innovative way to treat an insolvency situation,' says Mr. Manisero.

Mr. Manisero pointed out that not only do policyholders have to be paid, but also surplus notes issued to creditors have to be redeemed eventually with any remaining capital.

He acknowledged that if all Mutual Fire, Marine's obligations are met, it will be a company "with a clean slate that could write insurance." However, he added, "That is a question that will have to be posed then, not now." ■

Retiree health care benefit conference

Rising costs, aging population threaten plans

By DEBORAH SHALOWITZ

WASHINGTON—Rising health care costs and an aging population threaten the current system of retiree health care benefits provided by employers and the government, Reagan administration officials and health care experts warn.

A "senior boom is coming," warned Joseph A. Califano Jr., a former secretary of the Department of Health, Education and Welfare, which preceded the Department of Health and Human Services.

Currently, about 26 million people, comprising 12% of the population, are 65 or older, he said. By the year 2025, however, 60 million Americans—or 20% of the population—will be 65 or older, he said.

And, by 2025, the number of Americans 65 or older will exceed the number of people younger than age 18, added Mr. Califano, a senior partner in the Washington office of the New York-based law firm of Dewey, Ballantine, Bushby, Palmer & Wood.

Mr. Califano and other speakers detailed issues regarding retiree health care at the Secretary's National Conference on Retiree Health Care Benefits: A Challenge for the Future, presented last month by the Department of Health and Human Services in conjunction with the Washington Business Group on Health.

One significant problem for employers is that health care expenditures are rising at a faster rate than other parts of the economy, speakers said.

Currently, health care expenditures total 11% of gross national product, Treasury Department Secretary James A. Baker III told the audience. Twenty years ago, health care expenditures comprised only 6% of the GNP, he said.

And by the year 2000, health care expenditures will account for 15% of the gross national product, he predicted.

Furthermore, Medicare spending is increasing faster than medical inflation and faster than the gross national product, Mr. Baker noted.

And, Mr. Califano opined that Medicare is paying health care providers too much for the services beneficiaries receive.

Medicare has tried to offset these trends by attempting in various ways to regulate the price and quality of health care, said Health and Human Services Secretary Otis Bowen. But, "this was a bankrupt policy from the start," he stated.

"First of all, it failed: Health care prices doubled every five to six years during the 1970s," he explained.

"Secondly, it placed government exactly where it had no business being: squarely between the doctor and the patient," said Dr. Bowen, a physician. "Decisions that should have been made at the bedside were being made in Washington.

"Regulation was, at best, a tourniquet on the problem of controlling costs," Dr. Bowen observed.

"The long-term answer is to put the health care industry on a competitive footing where price and quality vie for market share and consumers shop for the best buys," he asserted.

The Reagan administration's Medicare Insured Group proposal is one alternative that the government and employers can pursue together to make this happen, he said (see story, page 64). Under the proposal, the government would pay an employer 95% of what it projects it would pay in Medicare benefits for the company's retirees and the employer would then provide all of the retirees' health care benefits.

The program, "starts us along a promising new path," said Dr. Bowen. "(It) allows companies to combine the Medicare benefit package and the firm's supplemental plan into a single benefit package. . .(that) would give companies additional negotiating leverage with providers of care."

Presenting a different point of view, Rep. Fortney (Pete) Stark, D-Cal., warned that a system focused on controlling costs can adversely affect the quality of health care.

Regarding the administration's Medicare proposal, Rep. Stark said, "risk contracting may be a good program, but it is far from proven."

Furthermore, he pointed out that Medicare is a public program and any savings from Medicare Insured Groups should be shared with the public.

Rep. Stark warned that "these programs will not automatically be endorsed by Congress without a great deal of scrutiny."

Mr. Califano also expressed concern that employers and the government are focusing on health care costs and neglecting the larger problem: how to care for the elderly.

The primary goal should be "keeping people out of the sick care system," Mr. Califano said. "As people live longer, we've got to find a way to keep (them) independent longer."

For example, "if we could affect mobility, memory and incontinence, we would have a stunning impact on aging," he stated.

"We should mount a major research effort to address these three problems," he asserted. "We should be spending $1 billion a year, the same as for cancer research, to address these problems."

Second, "we must market health promotion to the elderly," Mr. Califano stated. Employers can be very effective in encouraging their retirees to take part in preventive health programs, he added.

Finally, the problems of caring for the elderly are not just the concern of the government—they also must be addressed by employers, speakers said.

"Some still labor under the myth that Medicare relieves companies of any need to think about insuring their retirees," Dr. Bowen said. "But Medicare pays for less than half of the total health care bill of older Americans."

"Employers (should) be held liable to provide health care to their retirees," agreed Mr. Califano. "But they must be given the flexibility to provide that care efficiently."

Dr. Bowen noted that "health plans are threatening to replace pensions from their usual position as the most expensive employee benefit." Although "each costs about 6% of payroll, medical costs are rising much faster than pension costs," he explained. ■

Competition can control costs: Professor

By DEBORAH SHALOWITZ

> **'To make the health care market work. . . we need managed competition' both on the supply and the demand side of the health care equation, says Alain Enthoven, professor at Stanford University's Graduate School of Business**

WASHINGTON—The right amount of health care competition can help employers control rising health care costs, a university professor says.

"Managed competition" is the key to controlling and cutting health care costs, says Alain Enthoven, professor of management at Stanford University's Graduate School of Business in Palo Alto, Calif.

"To make the health care market work. . . we need managed competition" both on the supply and the demand side of the health care equation, he explains.

However, Mr. Enthoven warns that health care competition, if not properly managed, can result in a lack of coverage for the poor or the chronically ill.

Mr. Enthoven spoke at the Secretary's National Conference on Retiree Health Benefits: A Challenge for the Future, a two-day symposium held late last month in Washington sponsored by the Department of Health and Human Services in conjunction with the Washington Business Group on Health.

Mr. Enthoven, who serves on Stanford's employee benefits committee, is a strong advocate of managed health care systems, and the university's health care benefits program reflects that bias.

Stanford's 9,000 employees are enrolled either in one of five health maintenance organizations or in an indemnity plan with a preferred provider organization feature.

There are several tools that an employer can use to control health care costs, said Mr. Enthoven.

First, an employer can negotiate rates with health care providers to reflect the risk mix of the patients that the providers serve.

For example, if an HMO primarily serves younger people and indemnity plans primarily serve older people, the premiums charged by the plans should differ to reflect this risk mix.

Employers contracting with prepaid group health plans can cut costs by 25% or more if rates are risk-specific, Mr. Enthoven said.

Another effective tool is to offer standardized benefits among the health plan options offered to employees and coordinate the plans' annual enrollment procedures to ensure side-by-side comparisons among the options, Mr. Enthoven suggested.

A frequent problem in choosing between different health plan options is that many HMOs include various bells and whistles in their plans, so an employer or consumer can become confused about real differences between different health care coverage options, he said.

Mr. Enthoven also said employers can take "pro-competitive action" to encourage new HMOs to enter their market areas.

And employers should stay abreast of whether their health care systems are delivering what they promise, he suggested.

Another speaker noted that providers, as well as employers, are enthusiastic about managed care programs.

"Traditional" health care providers in many instances are initiating new methods of delivering health care services, said Daniel Bourque, senior vp of Voluntary Hospitals of America, a nationwide network of about 750 non-profit hospitals.

For example, VHA entered into a joint agreement two years ago with Aetna Life & Casualty Co. to provide managed care services across the country, he explained.

The joint venture, Partners National Health Plans, currently serves about 800,000 enrollees at 80 sites. Mr. Bourque anticipates about 1.5 million enrollees by the end of the year.

"We're not alone in this trend," he stated, adding that "two or three years ago I wouldn't have been able to say this."

Another example of a health care partnership on an even wider scale is the Worcester Area Systems for Affordable Health Care in Worcester, Mass.

The group—a coalition of business, labor, community, health care, insurance company and public officials—is one of 11 community programs set up around the country by the Robert Wood Johnson Foundation to address rising health care costs.

William P. Densmore, chairman of the group, said the key to making health care more affordable in the community is teaching health care consumers—including employers—to "buy right."

The WASAHC teaches companies to pursue a multifaceted approach when trying to lower their health care costs, he explained.

First, a company should offer a choice of medical benefit plans, said Mr. Densmore. And a company should design benefits with cost-saving incentives so that employees pay the difference between more and less expensive health plan options.

Producing a health care buyers' guide for employees and retirees also is a very useful cost-containment tool, he suggested.

In addition, an employer's efforts to manage its health care costs should be publicized through employee communications and encouraged by the company's top management, he advised.

Mr. Densmore said that due in part to the coalition's efforts, 33% of the Worcester-area population is enrolled in managed care plans and health insurance cost increases in the area have slowed.

Furthermore, 27% of the area's residents age 65 or older are members of managed care programs, he added.

However, "an exclusive view of limiting costs won't work" for the elderly population, warned John Rother, director of legislation, research and public policy for the American Assn. of Retired Persons in Washington, D.C., which has approximately 27 million members.

Continued on next page

W. German reinsurers' profits flat: Analyst

LONDON—West German reinsurance market's results may not improve as rapidly as results for other reinsurance markets around the world, according to a British stock analyst.

While "world reinsurance markets are set to improve" because major capacity cutbacks and reinsurer insolvencies have led to rate increases, the German reinsurance market "may be duller," according to Wood Mackenzie & Co. Ltd.

West German reinsurers' results may be flatter because:

- The reinsurers have adopted a cautious underwriting policy toward U.S. liability risks, which will reduce their premium volume, and also are reserving for this business more cautiously, which will reduce profits.
- Property rates are unlikely to improve here.
- West German government tariffs for automobile insurance have not been increased.
- Fifty to 60 West German reinsurers face possible losses of between 1 billion deutsche marks and 4 billion deutsche marks ($543.8 million and $2.2 billion at current exchange rates) from the distribution of AIDS contaminated plasma products by German pharmaceutical companies to West German hemophiliacs (*BI*, April 6)

In particular, Wood Mackenzie analyzed the results of Munich Reinsurance Co., the world's largest reinsurer, Cologne Reinsurance Co. and Frankona Reinsurance Co.

Wood Mackenzie expects that Munich Re's net profits for the year ending June 30, 1987, will be flat, remaining at approximately 57.2 million deutsche marks ($31.1 million), the same as in 1986. Munich Re reported net profits of 56.5 million deutsche marks in 1985 ($23.1 million).

Cologne Re's net profits will fall in 1986 to 9.4 million deutsche marks ($4.9 million) from 11.7 million deutsche marks ($4.8 million) in 1985, while 1987 profits will rise only slightly to around 10.2 million deutsche marks ($5.5 million at current exchange rates), Wood McKenzie predicts.

Wood McKenzie says Frankona's net profits will increase to 12 million deutsche marks in 1986 ($6.2 million) and maintain that level in 1987.

—By Stacy Shapiro

Rhine River toxic spill

BERNE, Switzerland—The Swiss government will not have to pay any of the damages resulting from last November's toxic spill into the Rhine River because Sandoz A.G.'s insurers will pay, the Swiss Parliament was told last month.

Sandoz carried between 100 million and 500 million Swiss francs of insurance ($65 million to $327 million at current

worldwide

exchange rates) last November, when a mixture of hazardous chemicals were washed into the Rhine following a fire at a Sandoz warehouse in Basel, according to a written statement by the Swiss Federal Ministry of the Interior in a reply to a question in Parliament. This coverage is more than sufficient to meet claims, the ministry stated.

The company has estimated that some 100 million Swiss francs ($65 million) in claims eventually will be filed.

Sandoz has not revealed the limits of its coverage, although the company says it has sufficient coverage to pay claims. A Sandoz spokesman told *Business Insurance* last year that the company had close to 500 million Swiss francs ($327 million) in general and product liability insurance (*BI*, Nov. 24, 1986; Dec. 29, 1986).

—By John Parry

Reinsurance computer network

STOCKHOLM, Sweden—Eight reinsurance companies are setting up a computer network to handle telecommunications of reinsurance accounts between ceding companies, reinsurers and brokers.

The network to be called Reinsurance and Insurance Network (RINET), initially will be confined to Europe, although the network later will be extended throughout the world, according to an announcement by Skandia Insurance Co. Ltd. of Sweden, one of the founding members of the network.

Based in Brussels, RINET will be organized as a cooperative, along the lines of Society for Worldwide International Financial Telecommunications, or SWIFT an electronic funds transfer network operated by banks.

RINET also will provide electronic mailbox service.

The founding members of the network will be Skandia; Mercantile & General Reinsurance Co. P.L.C.; Munich Reinsurance Co.; Nacional de Reaseguros S.A.; Nederlandse Reassurantie Groep N.V.; Societe Commerciale de Reassurance; Swiss Reinsurance Co.; and Unione Italiana de Riassicurazione S.p.a.

The founding members of the network plan "information meetings" by the end of this year to provide more details on RINET's services, Skandia announced. There will then be a pilot test of the network in 1988.

—By John Parry

Loan repayment guaranteed

LONDON—Britain's Export Credit Guarantee Department is guaranteeing a total of $57.7 million for the repayment of two construction project loans in China and Turkey.

The ECGD, Britain's quasi-government credit and political risk underwriters, has guaranteed the repayment of a $52.5 million loan to Turkey that will help finance British contracts to be awarded by Dogus Construction & Trading, Turkey's largest contractor, for civil engineering equipment and technical expertise for the Anatolian Motorway project.

The ECGD also is guaranteeing a $5.5 million loan to help finance the installation and start-up of a malting plant for the Doumen Brewery in China.

—By Stacy Shapiro

European Community directives

BRUSSELS, Belgium—The European Community has adopted two new directives that will make some of the insurance laws in member countries uniform.

The EC last month adopted a directive on credit and surety insurance that lays down minimum requirements all must companies to meet before they can offer this insurance.

Under the rules, an insurer would have to establish a fund of at least $1.6 million before it could write credit insurance. This would be in addition to the company's required surplus.

Also, under the directive, West Germany will have to rescind its strict rules requiring that credit insurance be written only by specialist credit insurance companies. The rules went into effect in the 1920s following the collapse of several German insurers due to losses on credit policies.

The directive is expected to go into effect in July 1990.

In addition, the EC last month adopted a directive on legal expense insurance that modifies the EC's 1973 non-life insurance coordination directive.

This action will provide consistency in the legal expense insurance market throughout the EC by applying identical rules in each of the 12 member states. It also will halt requirements like West Germany's that legal expense insurers be formed as separate companies.

—By Denise Claveloux

Contributing to this week's column are International Editor Stacy Shapiro in London and freelance writers John Parry in Geneva, Switzerland and Denise Claveloux in Brussels, Belgium.

Du Pont unit hit with 14 citations

PITTSBURGH-Consolidation Coal Co., a unit of Wilmington, Del.-based E.I. du Pont de Nemours & Co., was slapped last month with 14 citations by the federal Mine Safety and Health Administration for neglecting to report workdays missed by employees due to workplace injuries at its Osage No. 3. mine in West Virginia.

Consolidation faces fines of up to $10,000 per violation, depending on the severity of each injury, said a MSHA spokesman.

"Although Consolidation did report the accidents, they said that they did not involve lost days when in fact they did," the spokesman said.

Seven of the violations are for neglecting to report lost days due to injuries, five are for failure to keep proper records and two are for improper reports, the spokesman said.

The MSHA's actions are in response to reports accusing Consolidation of covering up accidents at Osage 3 to create a flawless safety record. That record earned the mine the 1985 Sentinels of Safety Award—jointly awarded by the MSHA and the American Mining Congress, a trade association based in Washington, D.C., to the mine that operates the most hours during the year without lost workday injuries.

Du Pont referred calls to Consolidation, where a spokesman would not comment.

Ohio passes medical malpractice reforms

around the states

COLUMBUS, Ohio—The Ohio Legislature late last month approved minor tort reforms primarily related to medical malpractice claims.

Major provisions of H.B. 327 would:

- Apply the statute of limitations for malpractice claims to optometric and chiropractic claims.

Currently, only claims against a physician, podiatrist, dentist or hospital are included under these provisions.

In addition, the bill would expand those covered by the statute of limitations to include the employees or agents of the hospital or the professionals named in a suit, as well as registered nurses and physical therapists.

- Require all medical, dental, optometric or chiropractic claims to be supported by specified documentation.
- Establish periodic payments for awards for future damages exceeding $200,000 in medical or dental malpractice cases.
- Eliminate mandatory arbitration for medical malpractice claims and eliminate the admissibility of the arbitration board's decision into evidence.

In addition, the legislation permits parties in a medical, dental, optometric or chiropractic claim to agree to non-binding arbitration.

- Provides civil immunity to volunteers of charitable, non-profit hospitals unless they act willfully and wantonly.

Non-medical provisions of the bill would:

- Prohibit plaintiffs seeking more than $25,000 in tort actions from specifying the amount in the complaint.
- Allow parties in civil actions to recover their attorneys' fees from opponents when the opponent engages in frivolous conduct.

Gov. Richard Celeste is not expected to oppose the bill, which becomes law if he signs it or does not veto it within 90 days of receiving it, according to a spokesman for Rep. Paul Jones, D-Ravenna, one of the bill's sponsors.

Policy forms rejected

SPRINGFIELD, Ill.—The state insurance director has rejected medical malpractice claims-made insurance policy forms used by five insurance companies.

Disapproval notices were issued on June 30 to three affiliates of The Paul Cos. Inc.: St. Paul Fire & Marine Insurance Co., St. Paul Insurance Co. of Illinois and St. Paul Mercury Insurance.

On July 1, disapproval notices were issued to Chicago-based Illinois State Medical Interinsurance Exchange and Medical Protective Co. of Fort Wayne, Ind.

Illinois disapproved the policies because they contain a clause that allows the insurer to alter the price of the product after purchase, which could have a potentially catastrophic impact on the policyholder, said Illinois Insurance Director John E. Washburn.

A spokeswoman for St. Paul said the insurer is discussing its concerns about the claims-made form with the department. "We're trying to get this clarified with the department," she said.

In related issues last month, Illinois physicians and three medical malpractice insurers testified at an Illinois Department of Insurance fact-finding hearing addressing various aspects of the state's medical malpractice insurance market.

The hearing focused on a recent 66% rate increase filed by St. Paul Insurance Co. of Illinois.

There has been a "generally upward spiral" in malpractice rates and the department was interested in finding out more about what is occurring in the marketplace," said Richard D. Rogers, deputy director of the department's consumer market division.

At the hearing, the physicians testified against St. Paul's rate increase, St. Paul defended it and two other insurers—the Medical Protective Insurance Co. and Illinois State Medical Interinsurance Exchange—took no position on the rate hike, said Mr. Rogers.

Insurers fined

TALLAHASSEE, Fla.—The Florida Insurance Department has fined 17 insurers a total of $60,500 for violations of various state insurance regulations.

New York-based Continental Insurance Co. was assessed the largest fine—$14,000—for using incorrect insurance rates and failing to use applicable credits in determining rates.

And, Los Angeles-based Transamerica Insurance Group must pay $10,000 for errors in workers compensation claims handling.

The other insurers assessed by the department are:

- Republic Insurance Co. of Dallas, which owes $7,500 for selling lines of insurance for which it was not certified to sell.
- Jacksonville, Fla.-based Old Dominion Insurance Co., which was fined $4,000 for billing and insurance policy errors.
- United General Life Insurance Co. of St. Petersburg, Fla., which must pay $4,000 for letting its company charter lapse and continuing to conduct business.

Twelve other companies were fined amounts under $3,000 for a variety of violations.

None of the companies admitted to intentionally violating the insurance code. ■

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• **"Analysis of Workers' Compensation Laws,"** a 64-page booklet on statutory provisions of workers comp laws around the United States, is available from the U.S. Chamber of Commerce. The booklet covers regulations in all states, territories, federal programs and the Canadian provinces. It also includes changes resulting from more than 165 new laws enacted in 1986. Copies of the booklet, publication No. 6983, are available for $12 from the U.S. Chamber of Commerce, 1615 H St. N.W., Washington, D.C. 20062; 301-468-5128.

• "Kansas City Insurance Report" is the title of a guide to **insurance trade organizations in Kansas City, Kan.** It lists the names, addresses and phone numbers of the approximately 25 associations and societies covering Kansas City's insurance industry. The directory costs $5.50. For a copy, call or write Chartrand Communications, 6811 W. 63rd St., Suite 208, Overland Park, Kan. 66202; 913-831-0080.

• The Channing L. Bete Co. Inc. has just published **"About Substance Abuse at Work."** The 16-page illustrated booklet examines commonly abused drugs, their effects on job performance, productivity and safety awareness. It also shows where to turn for assistance. For a free sample copy and more information, contact Channing L. Bete Co. Inc. Department PR, 200 State Road, South Deerfield, Mass. 01373.

• **"Liability Risk Retention Act"** is a brochure that explains the Risk Retention Act of 1986, its provisions and how to set up a risk retention group or purchasing group. Also, it provides information for organizations to consider when deciding whether these types of groups are appropriate solutions to their insurance problems. For a free copy of the brochure, contact Jan Lester or Pat Holloway, American Insurance Services, 44 Montgomery St., Suite 1400, San Francisco, Calif. 94104; 800-228-5311; 800-421-9519 within California.

• Abt Associates offers a new brochure on **customer satisfaction programs in the health care industry.** The brochure contains the components of a customer satisfaction program and describes the value of customer satisfaction programs for insurers and third-party administrators, HMOs, PPOs, hospitals and employers. For a free copy of the brochure, contact Morris R. Levene, Program Manager, The Health Group, Abt Associates Inc., 55 Wheeler St., Cambridge, Mass. 02138-1168; 800-624-7100; 617-492-7100.

• **"Legal Malpractice"** is the title of a Jury Verdict Research publication that examines jury reactions to the issues of liability and damages and includes brief summaries of verdicts and settlements in recent cases. Case summaries include the docket numbers, names and locations of plaintiffs' and defense attorneys and expert witnesses, trial dates, claimed injuries, attorneys' offers and demands, as well as plaintiffs' and defendants' contentions. Copies of "Legal Malpractice" may be obtained for $22.50 by contacting Jury Verdict Research Inc., 5325 Naiman Parkway, Suite B, Solon, Ohio 44139-1065.

• Structured Annuity Settlements Inc. is offering a informational package called "Structured Settlements: An Overview" to introduce claims and risk managers to **structured settlements** as a method of settling personal injury, wrongful death and workers compensation cases. To order send $5 to Structured Annuity Settlements Inc., 35 Glenlake Parkway, Suite 480, Atlanta, Ga. 30328.

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Safety plans help truckers find cover

By KARI BERMAN

Long-haul trucking companies are enforcing improved highway safety programs to increase their chances of finding affordable liability insurance.

Trucking companies—notorious for being among the riskiest classes of business to underwrite—must show they are successfully enforcing safety rules if they hope to obtain coverage at a reasonable rate, trucking specialists say.

"If a company doesn't have a strong safety program, we would not even be interested in quoting on their business," says John Elliot, underwriting manager for the motor transport department of Liberty Mutual Insurance Co. in Boston.

"Ten years ago, insurance companies were taking anyone and took a beating," says William Johns, managing director of technical services for the American Trucking Assn. "Now, they are looking very closely and being very careful. If a trucking company wants insurance, it has to be able to show them a solid safety program."

"We don't believe everything we see on paper that tells us about how companies are handling their safety programs," adds Tom Duccy, manager of the transportation division of AIG Specialty Agencies Inc., a unit of American International Group Inc.

"We will send loss control people to visit the risk and see how it works," Mr. Duccy says.

Edart Corp. of Hartford, Conn., and Ruan Transportation Management Systems of Des Moines are among companies that have upgraded safety programs.

Edart, a major truck leasing and rental company, launched an extensive Highway Safety Program for its truck drivers and drivers of its customers' fleets.

Edart's truck safety program—which has decreased by 25% accidents involving Edart vehicles over the last year—includes:

- New driver testing. Edart's pre-hire testing program requires all new drivers to first file a request for road testing with Edart to see if the applicant meets minimum requirements for hire.

If qualified, the candidate then takes a written, untimed, open book test on driving and safety issues. The final stage of the application is a road test.

- Driver rosters. Edart leasing customers that provide their own drivers forward the names and licenses of the drivers to Edart, which files this information with state motor vehicle departments.

The motor vehicle departments then issue a "driver report," which Edart returns to the customer.

If there are irregularities on the record, Edart recommends remedies such as refresher driver training or mandatory viewing of safety presentations, the company says.

- 55 mph speed limits. While some states have increased highway speed limits to 65 mph, Connecticut has not, so Edart's posts 55 mph reminders in all its trucks.
- Truck markings. In addition to changing the color of its trucks from green to white in 1975 to improve night visibility, Edart recently added reflective markings to vehicle sides and rears.
- Seat belts. Although seat belt laws for general motorists do not apply to truck drivers in Connecticut, Edart has replaced floor mounted seat belts with safer retractable seat belts and posted "buckle up" stickers in the cabs.
- Underride guards. Edart is in the process of retrofitting its trucks with upgraded underride guards, which are designed to prevent cars from becoming stuck under the back of Edart trucks.
- Safety training programs. Edart executives, in conjunction with an expert safety consultant, regularly conduct safety seminars as well as larger-scale quarterly presentations for drivers.
- Safety cars. Edart uses three "safety cars" to travel Connecticut highways reporting unsafe truck driving by either Edart drivers or its leased fleet drivers. A reporting form is then sent to the customer or, in the case of an Edart employee, to both the driver and the driver's supervisor.

Although the program is just a year old, the results are impressive, an Edart official says.

"No driver driving an Edart truck has been involved in a fatal accident since this program began in 1986," comments Howard Siegal, vp of operations and safety.

This is notable in light of a 1987 National Highway Safety Administration report showing 5,000 fatalities in 1984 involving either single or combo unit trucks.

Edart's insurers also are encouraged with the results, says Mr. Siegal.

"Our insurance company has been very kind to us as a result of our safety program. They saw what we did and were impressed," said Mr. Siegal, who would not name the insurer nor say whether it reduced Edart's premium.

Edart's program does not stand alone in the arena of grand-scale highway safety programs.

Ruan Transportation Management Systems introduced its equally comprehensive "MegaSafe" program earlier this year. The program was developed by a task force of Ruan and 33 transportation equipment manufacturers and suppliers.

"It is an intense A-to-Z program," says Larry Miller, president of Ruan. "It includes a series of module training programs, complete with slides and video packages."

MegaSafe is intended for anyone who is associated with trucking companies, from executive managers to mechanics.

"Safety is management's problem," Mr. Miller comments. "If a company is going to have fleets on U.S. highways, you need a comprehensive safety program enforced by management."

MegaSafe differs from other programs in that it stresses behavior modification, he noted.

"Our program stresses behavior, that safety is an attitude and that an attitude of safety can be learned and nurtured from the right kind of information and the right format," Mr. Miller explains.

Each of the 12 modules in a series includes video tapes, slides, seminar leaders' guides and instructions. The packages address safety issues ranging from driver vehicle inspection to hazardous material hauling/spill response.

The program is available to all companies involved in long-haul trucking and can help enhance insurability, reduce accident losses, improve driver productivity and strengthen employee relations, according to Mr. Miller.

Programs do not have to be as elaborate as Edart's and Ruan's to be successful, but they are imperative if a company hopes to get a good policy, underwriters say.

"The safety program is a great part of our evaluation of a company as a prospective customer," says Liberty Mutual's Mr. Elliot. ■

Bill encourages pension plans at small firms

washington

By JERRY GEISEL

WASHINGTON—Small employers would receive new incentives for establishing and maintaining pension plans under legislation introduced in the House and Senate.

The legislation, introduced by Sen. David Pryor, D-Ark., and Rep. Robert Matsui, D-Calif., would give small employers tax credits for pension contributions, reduce certain restrictions on so-called top-heavy pension plans and simplify pension reporting requirements.

"It is time that we provided positive incentives for small business owners to create pension programs," said Sen. Pryor.

"There are currently too many obstacles which discourage small businesses from providing such benefits," he said.

Under the legislation, S. 1426 and H.R. 2793, a small employer—which is defined as a company with fewer than 100 employees—would be allowed to take a tax credit equal to 14% of pension contributions made on behalf of non-highly compensated employees. The annual credit would be limited to $3,000 for defined contribution plans and $4,500 for defined benefit plans.

Employers opting to receive tax credits would have to offer a vesting schedule of 25% per year until participants were 100% vested in their fourth year of service.

The legislation also would repeal the top-heavy pension plan rules contained in the 1982 tax law. Under those rules a top-heavy plan—one in which more than 60% of benefits go to key executives—is limited in how much it can offset or reduce benefits by the amount of Social Security benefits received by a retiree.

The legislation also would allow employers with fewer than 100 employees to notify workers of how they could obtain the pension plan's annual report rather than automatically providing each employee with a copy.

Finally, the bill would require the secretary of the treasury to simplify pension reporting forms for small businesses.

Retiree benefits

The Senate Judiciary Committee has approved legislation, S. 548, that would bar companies that have filed for reorganization under Chapter 11 of the Federal Bankruptcy Code from unilaterally terminating or reducing post-employment health care benefits.

Under the legislation, retiree health care benefits could not be modified until changes had been negotiated with retirees or ordered by a bankruptcy court.

However, benefits could be automatically reduced for retirees whose gross incomes equaled or exceeded $1 million in the 12 months before the companies filed for bankruptcy.

The legislation was prompted by Dallas-based LTV Corp., which temporarily cut off retiree health care benefits last year after it filed for Chapter 11.

Non-discrimination

Congress should repeal the complex non-discrimination rules for welfare plans mandated by last year's tax law if legislators pass pending legislation requiring all employers to offer at least a minimum health care plan, a consultant says.

If all employers had to offer health care benefits to employees and dependents, non-discrimination rules would not be necessary, says Donald Grubbs, president of Grubbs & Co., an employee benefit consulting firm in Silver Spring, Md.

In a letter to Sen. Edward Kennedy, D-Mass., the chief sponsor of legislation mandating universal health care coverage, Mr. Grubbs said: "Your bill would substantially reduce the potential for discrimination in health insurance by requiring that every employee and every dependent receive adequate protection.

"The remaining limited potential for discrimination does not justify the enormous regulatory burden of Section 89" of the Tax Reform Act of 1986, which contains the non-discrimination rules for welfare plans, Mr. Grubbs said.

As a result, he said Section 89 should be repealed in conjunction with enactment of the Kennedy legislation, S. 1265.

"After S. 1265 has had the opportunity to work, Congress could re-address the question of what, if any, rules are needed to prevent discrimination in health benefits," Mr. Grubbs added.

By deleting the current non-discrimination rules, the Kennedy legislation should become more acceptable to the business community, Mr. Grubbs said.

PBGC proposal

Legislation has been introduced in the House of Representatives to give the Pension Benefit Guaranty Corp. authority to charge a variable-rate pension termination insurance premium.

Under the measure, H.R. 2781, introduced by Reps. Bill Archer, R-Texas, and Rod Chandler, R-Wash., companies with pension plans that are at least 20% overfunded would continue to pay the current annual PBGC premium of $8.50 per plan participant.

However, employers whose plans were below that threshold would pay a funding charge of $6 per $1,000 of underfunding. The premium would be capped at $100 per plan participant.

The bill differs slightly from the Reagan administration's variable rate PBGC premium proposal. Under that plan, only employers whose plans are 25% overfunded would be exempt from the $6 funding charge (*BI*, June 15, 1986).

The Archer-Chandler bill also would tighten pension funding standards and allow employers to remove excess assets from overfunded plans without having to actually terminate the plan, as is currently the case. ■

datebook

JULY 16-17. Video Display Terminal Safety course in Los Angeles, sponsored by the University of Southern California's Institute of Safety and Systems Management; $265. University of California, Institute of Safety and Systems Management, Office of Extension and In-service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

JULY 26-31. Fundamentals of Employee Benefits Management conference in Brookfield, Wis., sponsored by the International Foundation of Employee Benefit Plans; $900. **Also Oct. 11-16.** Registrations Department, International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

JULY 27-28. Health Care Cost Containment workshop in Honolulu, sponsored by the Health Research Institute; $495. **Also Aug. 17-18** in San Diego; **Sept. 14-15** in Cleveland; **Oct. 5-6** in Boston; **Oct. 26-27** in San Francisco; **Nov.9-10** in New York; and **Dec. 7-8** in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

JULY 27-31. Managing Program Implementation seminar in Atlanta, sponsored by the International Loss Control Institute; $695. International Loss Control Institute, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208.

JULY 29. Health Improvement/Wellness workshop in Honolulu, sponsored by the Health Research Institute; $250. **Also Aug. 19** in San Diego; **Oct. 7** in Boston; **Oct. 28** in San Francisco; **Nov. 11** in New York; and **Dec. 9** in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

JULY 29. Advanced "Post Graduate" Cost Management workshop in Honolulu, sponsored by the Health Research Institute; $250. **Also Aug. 19** in San Diego; **Sept. 16** in Cleveland; **Oct. 7** in Boston; **Oct. 28** in San Francisco; **Nov. 11** in New York; and **Dec. 9** in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

JULY 29-30. 1987 National Workers Compensation Seminar in Cape Cod, Mass., sponsored by Workers' Compensation Monthly; $195. Workers' Compensation Monthly, P.O. Box 590, Falmouth, Mass. 02541.

JULY 30. Assessing Vendors (HMOs, PPOs, Utilization Review Firms, etc.) workshop in Honolulu, sponsored by the Health Research Institute; $250. **Also Aug. 20** in San Diego; **Sept. 17** in Cleveland; **Oct. 8** in Boston; **Oct. 29** in San Francisco; **Nov. 12** in New York; and **Dec. 10** in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

JULY 30. Cost Containment Through Communications and Education workshop in Honolulu, sponsored by the Health Research Institute; $250. **Also Aug. 20** in San Diego; **Sept. 17** in Cleveland; **Oct. 8** in Boston; **Oct. 29** in San Francisco; **Nov. 12** in New York; and **Dec. 10** in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

JULY 30-31. Labor/Management Cost Containment workshop in Honolulu, sponsored by the Health Research Institute; $495. **Also Aug. 20-21** in San Diego; **Sept. 17-18** in Cleveland; **Oct. 8-9** in Boston; **Nov. 12-13** in New York; and **Dec. 10-11** in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

JULY 30-AUG. 1. Florida Surplus Lines Assn. Annual Convention in Amelia Island, Fla.; $200 for FSLA members; $225 for non-members. Roger Gobler, Florida Surplus Lines Assn., P.O. Box 2909, Jacksonville, Fla. 32203.

AUG. 2-7. Basic Reinsurance Program in Tarrytown, N.Y., sponsored by the College of Insurance; $950 for college sponsors; $1,115 for non-sponsors. The College of Insurance, 1 Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

AUG. 2-7. Middle Management Program in Kansas City, Kan., sponsored by the College of Insurance; $950 for college sponsors; $1,115 for non-sponsors. The College of Insurance, 1 Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

AUG. 3-4. Non-Qualified Deferred Compensation Plans seminar in San Francisco, sponsored by the Practising Law Institute; $390. Practising Law Institute, Dept. 5W, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

AUG. 3-4. 1987 *Business Insurance* Employee Benefit Communications Conference in New York; $650. Barbara Dalton, Registrar, *Business Insurance*, Communication Services Department, 220 E. 42nd. St., Suite 930, New York, N.Y. 10017; 212-210-0780.

AUG. 5-6. The Sixth Annual Governmental Insurance Conference in Austin, Texas, sponsored by Professional Development Institute; $245. Professional Development Institute, North Texas State University, P.O. Box 13288, Denton, Texas 76203-3288; 817-565-2483.

AUG. 10. Questions on the New CGL and CP Policies? Ask the Claims Department! workshop in Asheville, N.C., sponsored by the Society of Chartered Property & Casualty Underwriters; $120 for Society members; $145 for non-members. Mari Jennings, Professional Services Coordinator, Society of CPCU, Kahler Hall, 720 Providence Road, CB#9, Malvern, Pa. 19355; 215-251-2741.

AUG. 11-14. Supervisory Program in New York, sponsored by the College of Insurance; $630 for college sponsors; $715 for non-sponsors. The College of Insurance, 1 Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

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Continued from previous page

earthquake insurance availability is improving slightly, he noted.

While most insurers acknowledge widespread reductions in property rates, casualty rate reductions have been more selective, they stressed.

Casualty rates are stabilizing and the standard liability risks that were pushed into the surplus lines market over the

capacity on the backs of reinsurers" for risks that were unstable to begin with. Reinsurance "is not the same sucker market that it was five to 10 years ago," he said.

He added that even if there is not more capacity in the marketplace, there is at least less "irresponsible capacity."

But insurers see an improvement in the availability of municipal liability coverage.

One indication is that states are no longer requesting that insurers participate in market assistance programs, St. Paul's

moved or modified, the CIGNA spokesman said: "We feel our appetite is better now than it was last year, primarily because of the improved price levels. We are more willing to consider individual risks than we were a year ago."

St. Paul's Ms. Nelson added that most exclusions were written on claims-made policies, which "are going by the board anyway."

Insurers agree that the claims-made form is being used only for long-tail liability risks and more hazardous expo-

Brokers reporting insurer competition for almost all lines

By LINDA J. COLLINS

It's a matter of perception just how much the property/casualty insurance market has softened for July renewals.

While insurers say that capacity has improved a little and there is some competition for property accounts, some retail insurance brokers say they see a significant increase in competition among insurers—including a strong appetite for new business in all but the most risky lines of insurance and substantial rate reductions.

"What we're finding is that insurers are saying they see rates stabilizing, but not dropping. But that's not what we're seeing. We're seeing reductions," observed Richard A. Maxwell, president of Corroon & Black Corp.'s Brokerage Services Group in New York.

"I think insurance company management may believe that rates are stabilizing but they may be giving conflicting signals to their branch underwriters," Mr. Maxwell stressed. He explained that while insurers' top management may be attempting to implement firm rating guidelines, those guidelines may not be "filtering down through the bureaucrats."

'That's how I judge how hard or soft a market is—by who buys lunch,' says Mr. Maxwell.

"Either the branches are doing some things the home office is not aware of, or the home office is not telling the truth," said J. Bransford Wallace, chairman of the Brokerage Services Group and a Corroon & Black executive vp.

Bruce C. Dunbar, president of McGriff, Seibels & Williams Inc. in Birmingham, Ala., explained that "everyone's trying to keep their renewals, and it's been very easy. . . . Prices are going down substantially."

Michael L. Poland, co-chairman of Oland International Insurance Brokers Inc. in Los Angeles, observed that the property/casualty marketplace "seems to be loosening up more as more markets want to write business. . . .There is no question that competition is becoming more heated."

Every broker contacted said that insurers are now visiting them and identifying areas of business that they are interested in writing.

"We are seeing a lot of underwriter travel, which is the best indicator" that insurers are courting brokers, said Mark Forrester, vp-marketing for Fred S. James & Co. Inc.'s Memphis, Tenn., office. And all companies "are heavily into mass marketing programs and will definitely set up exclusive marketing relationships."

"Insurers are definitely calling us, visiting more and asking for market share," said Corroon & Black's Mr. Maxwell. "That's how I judge how hard or soft a market is—by who buys lunch."

Thomas J. Rodell, deputy managing vp of Alexander & Alexander Services Inc.'s Chicago office, said he sees two areas that are "fairly competitive: property-driven packages, where 30% decreases are not too uncommon, when property exposures represent a higher percentage of the premium; and large excess programs for Fortune 1,000 companies that don't have catastrophic product exposures, where we see 10% to 30% rate reductions."

Mr. Maxwell said that Corroon & Black is seeing property rate decreases "in excess of 25%. . . we have even seen mid-term cancellation of three-year property policies to rewrite them (at lower rates). In casualty, the rate decreases are more like 10% to 15% on the average."

"Mutuals, in the property area, are extremely competitive. There are more carriers writing primary and umbrellas, and they are get-

Continued on next page

the professional marketplace

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New Mexico Association of Counties & the New Mexico County Insurance Authority (an Equal Opportunity Employer) seeks a multi-line property & casualty loss control person with a minimum of 7 years industry experience and significant worker's compensation background to direct all loss control activities for the Association's pooled county programs. Must be growth oriented with the leadership, organizational & common skills in anticipation of a multi-million dollar program. Competitive salary & benefits. Resumes to: **New Mexico Association of Counties, Donna Smith, Executive Director, 410 Don Gaspar, Santa Fe, NM 87501** Resumes accepted through: July 24, 1987.

CORPORATE SAFETY DIRECTOR
Texas-based client seeks individual with corporate safety experience. CSP or equivalent desired. Must have good verbal and written skills with experience in formalizing safety policy and procedures. Knowledge of NFPA, NIOSH, ANSI, and OSHA necessary. Starting salary to $50,000. Contact: **GILBERT-HAFNER & CO.** 6060 N. Central Exp. #470, Dallas, TX 75206. 214-361-9341

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Commercial Consumers

Administrative:

CEO's Presidents and Owners	2,426
Vice-presidents, General Managers and Other Administrative Personnel	3,136
Financial:	
Chief Financial Officers and Vice-presidents of Finance	2,683
Secretaries, Treasurers, controllers and other Financial Personnel	4,888
Risk/Employee Benefits:	
Vice-presidents, directors, managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations	8,144
Sub-total	**21,277**
Associations	506
Government, Unions and Educational Institutions	1,400
Commercial Consumers	
Sub-total	**23,183**
Insurance Agents and Brokers	11,009
Insurance Companies	7,111
Financial Institutions	989
Actuaries, Attorneys, Adjusters, Appraisers and Consultants	5,560
Others Allied to the Field	1,442
TOTAL	**49,294**

* Source Business/Occupational breakdown of qualified circulation, November 24, 1986 issue, as submitted to BPA for December 1986 BPA Publisher's Statement.

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Resumes will be accepted through Friday, July 24, 1987. Additional information can be obtained by writing or calling:

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we could talk ourselves into another (soft) cycle if we all keep talking about it, and the industry isn't in (a strong enough) financial condition to absorb another cycle," said Transamerica's Mr. Wretten.

There is competition, "but I hope it will (remain) a more normal, rational competition," agreed John Donahue, vp-commercial insurance division for Hartford Insurance Co. in Hartford, Conn.

But Zurich-American's Mr.

try," said Transamerica's Mr. Wretten.

But Charles W. Anderson, executive vp-regional operations for Allendale Mutual Insurance Co. in Johnston, R.I., said that while earthquake capacity has "shrunk tremendously" during the hard market and "we had to scramble to put together limits," reinsurance capacity is now coming back for earthquake risks. Consequently,

Continued on next page

Renewals cause some risk managers to rejoice

By MICHAEL BRADFORD and STEVE TARAVELLA

Risk managers are breathing a collective sigh of relief, and some are even proclaiming that the property/casualty insurance market has turned, following July renewals.

While some buyers paid significantly less for the same property and casualty coverage limits they purchased last year, others opted to pay the same premium for higher limits.

And, some risk managers were even fortunate enough to enjoy the best of both worlds: higher limits at lower rates.

"I was happy," said Roy A. Clarke, risk manager for the city of Beverly Hills. "We expected things to be stable or a few points down, but this is better than I expected. Property renewals are excellent this year."

The city of Beverly Hills renewed its all-risk property coverage for approximately 20% less with its insurer, Appalachian Insurance Co. in Johnston, R.I. The city now pays a $65,000 annual premium for $95 million in property coverage, which becomes effective July 16, Mr. Clarke said.

In addition, the city also renewed part of its earthquake insurance program at "a very significant reduction," its risk manager reported.

The coverage, $10 million in limits written by Allianz Underwriters Insurance Co. in Los Angeles, cost $44,000, according to Mr. Clarke. The same limits last year—written by different insurers—cost the city $70,000, he said.

Coast Insurance Agency in Los Angeles helped the city arrange both its property and earthquake coverage renewals.

While the city's workers compensation insurance premium increased at renewal, the jump was not as large as the previous year's.

The city's workers compensation insurance was renewed with General Reinsurance Corp. of Stamford, Conn., at a 20% rate hike, effective July 1, compared with last year's 350% work comp rate increase.

"That's about what I expected," Mr. Clarke said.

The city, with about 650 full-time and about 350 part-time employees, self-insures the first $250,000 of its work comp exposure.

"From what we've seen, it's been much easier," agreed Dave Fisher, risk and benefits manager at Mitsubishi Electric America Inc. in Torrance, Calif.

Mitsubishi, whose operations include computer sales and semiconductor manufacturing, was able to secure $50 million in liability coverage for about half of what it paid for $30 million in coverage at last year's July 1 renewal, he said.

At the same time, property insurance rates dropped 40%-50%, he reported.

The renewals were brokered by Johnson & Higgins in Los Angeles and Frank B. Hall & Co. Inc. in Orange County, Calif.

"We thought there'd be some reduction, but that was a nice surprise," said a hotel chain risk manager, who asked to remain anonymous. He said the hotel chain was able to renew its property coverages in May at a 15%-20% rate reduction.

"It's nice to bring that back to management and say there's some stability," he added.

Security Pacific Corp. secured broader coverage terms—and a "modest reduction" in premium—for property insurance for its domestic and Canadian subsidiaries, said Michael E. Tinley, director of risk management for the Los Angeles-based banking and financial services holding company.

"We're finding the market to be much more receptive today than it was a year ago," he said.

Mr. Tinley described the July 1 renewal as a joint effort between Security Pacific, broker Johnson & Higgins in Los Angeles and Hartford, Conn.-based Aetna Casualty & Surety Co.

To avoid being adversely affected by future price swings in the commercial insurance market, he said, Security Pacific is trying to develop a long-term relationship with Aetna. The insurer, which has long been a major participant in Security Pacific's overall risk management program, began writing its primary property insurance last year.

After completing their summer renewals, some satisfied risk managers went so far as to say that the overall increase in capacity and falling rates signal a true market change, although some still foresee or anticipate availability or rate problems for some lines of liability coverage at future renewals.

"My evaluation of this overall renewal is that there is stability, with a trend to softening," observed Henry Guidry Jr., risk manager at Cajun Electric Power Cooperative in Baton Rouge, La.

Paul Pressley, director of risk management and insurance for Gold Kist Inc. in Atlanta, said he also feels a genuine market softening is under way.

However, the causes for the market shift are unclear, he added.

"I'm not sure what it's a reaction to," Mr. Pressley noted. "I think people are just tired of paying high prices."

Mr. Pressley also predicted that the current market change probably will not lead to the competition frenzy that marked the last soft cycle. "I think this will be a shorter cycle. . . .I think it will correct itself quicker."

When Gold Kist received a 35% reduction in the cost of excess liability coverage this summer, it decided to increase limits from $10 million to $25 million.

Mr. Pressley said property coverages cost about 15% less than last year.

While property/casualty rates tumbled during July renewals, Mr. Pressley is not expecting to find rates as cheap for Gold Kist's directors and officers liability coverage, which expires Dec. 1.

"I anticipate a problem on the D&O," he said. The current coverage was written for a three-year term, and Mr. Pressley said he is not expecting the softening in the market to penetrate into the D&O line.

Gold Kist's coverage remains with traditional insurers, Mr. Pressley noted. "We looked at several risk retention groups," he said. But the company decided that the initial investment in forming a risk retention group and premiums required were too great for the amount of coverage available.

Louisiana-based Cajun Electric also is keeping an eye out for affordable D&O coverage. The utility company has watched its coverage dwindle from $50 million in 1984 to $20 million in 1985 and down to $2 million in 1986.

The coverage was written through an association program sponsored by the National Assn. of Rural Cooperatives.

"We have none now," Mr. Guidry said, explaining that while $1 million in limits is still available through the association program, "it excludes all the things we need coverage for."

The utility company now is considering forming a captive in Vermont to fund its D&O exposure. If the captive is formed, it may eventually be used to provide other coverages for Cajun Electric, according to Mr. Guidry.

D&O problems aside, Cajun Electric is happy with its July renewals of property coverages, Mr. Guidry noted.

He said costs hovered at approximately the same level as in 1986 for $850 million of property coverage written by the Houston office of Industrial Risk Insurers, a property insurance pool based in Hartford, Conn., and for $100 million in boiler and machinery coverage written by The Hartford Steam Boiler Inspection & Insurance Co.

Mattel Inc. in Hawthorne, Calif., also was pleased with its most recent renewals, but Assistant Treasurer John G. Pinner fears another rate war may be in the offing.

Mattel renewed several liability coverages in May and June and, in each case, "The market had either stabilized or had softened, but more significantly, the capacity seems to be increasing," Mr. Pinner said.

For instance, when the toy maker renewed a one-year D&O policy with a domestic insurer last month, it paid slightly less in premium for a more favorably structured D&O insurance program, he said.

But Mr. Pinner is wary about this year's rate reductions.

"I'd hope the insurance companies look at the risks and premiums closely and don't get into the competitive bidding of three or four years ago," he cautioned.

However, some risk managers reported that they still had to shop around for the best deal.

For example, D.K. Willy Bach, risk manager of American Safety Razor Co. in Staunton, Va., had to do some leg work to make the best deal.

Quotes for coverage "fluctuated all over the place," he said, with some insurers asking for premiums that were double those quoted by competitors for the same coverage.

However, Mr. Bach was able to find the limits he wanted for expiring property and business interruption coverages at significantly lower rates than in 1986.

"That's a welcome change," he remarked.

He attributed the reduction to a general market softening and to loss prevention measures recently undertaken by American Safety Razor.

He also noted that deductibles and retentions on the property and business interruption coverages were unchanged.

Although he would not release exact numbers, Mark F. Wilson, risk manager at First Mississippi Corp. in Jackson, Miss., said the liability limits he found for July renewals were "substantially better than last year."

Rates for the chemical company's coverages "stabilized, by and large," at the most recent renewal, and retentions "held pretty much constant," he said.

In 1986, First Mississippi had $1 million in primary liability coverage written by The Home Insurance Co. of New York above a $150,000 retention. In addition, the company purchased about $26 million in excess coverage, $15 million of which was written by Barbados-based captive PRIMEX Ltd., an insurer Mr. Wilson worked to create (*BI*, March 30).

While Mr. Wilson believes the market for property insurance is definitely softening, casualty coverages for corporations like First Mississippi are still costly.

"We've seen some softening in the property market, but because of our industry class, we don't see any softening in other areas. . . .We don't see that the market is going to come back and embrace us," he said.

Still, the casualty market continues to offer alternative markets like PRIMEX and other captives, including A.C.E. Insurance Co. Ltd. and X.L. Insurance Co. Ltd., which are providing some help for companies like First Mississippi with chemical-related exposures.

Mr. Wilson said First Mississippi currently is studying two risk retentions groups that provide pollution liability coverage to determine "their applicability to our own company."

Despite the softening property/casualty insurance market, not everyone renewing insurance coverages this summer came away totally pleased.

"Price-wise, we did very well," said Elliot E. Cohen, risk manager at Fisher Bros. in New York, who renewed coverage in May. But, "Coverage was just OK. We can live with it."

However, Mr. Cohen admitted, premiums for property coverages "went down rather significantly without our asking for it," and umbrella coverage costs also fell. Collectively, prices for those coverages dropped 15% to 20%, he estimated.

In addition, umbrella limits climbed 30%, bringing the amount of coverage up to a more comfortable level, Mr. Cohen pointed out. "We didn't get as much as we wanted last year," he said. ■

London steadies rates to retain business

By STACY SHAPIRO

LONDON—The London insurance market is increasing capacity, easing terms and holding rates steady—or reducing them slightly—to retain U.S. property/casualty business.

As a result, most major U.S. companies did not move their coverage from the London market during July renewals, London brokers say, though some smaller U.S. companies did move their accounts to the more competitive U.S. market.

However, whatever business was lost by London underwriters to U.S. insurers was replaced by new orders from U.S. buyers, brokers and underwriters say.

London underwriters could offer U.S. buyers up to $50 million in excess liability insurance capacity during the recent July renewals. A year ago, London brokers found it difficult to place $20 million in excess liability coverage for U.S. risks.

In addition, liability insurance rates in London this year remained steady or were fractionally lower, while a year ago London underwriters sought 10% to 60% rate increases for excess liability insurance and up to 700% rate hikes for other types of liability coverage, like directors and officers liability insurance.

Property insurance rates in London declined by 10% to 15% during July renewals, compared with rate increases of up to 20% a year ago.

In addition, some London underwriters started relaxing their terms, although U.S. excess liability risks are still exclusively written on claims-made policy forms, underwriters say.

'We didn't give anything away. We weren't really put under pressure,' says Richard Hazell, underwriter for the F.R. White syndicate, Lloyd's third-largest non-marine syndicate.

In particular, H.S. Weavers (Underwriting) Agencies Ltd., London's leading underwriter of U.S. excess liability business, is offering more generous terms for an additional charge.

The July renewals surprised and satisfied London brokers and underwriters, who were expecting to lose both property and casualty business to the U.S. insurance market (*BI*, May 4).

"It's been a very interesting renewal season," said Dick Drain, chairman of the North American non-marine division of Alexander Howden Ltd. He would not term the market as either soft or hard, but instead called it "challenging."

"Renewals held the line. We certainly haven't seen any (rate) increases, although we haven't necessarily seen any reductions," said Mr. Drain. "As far as major accounts are concerned, we are happy."

"The season has gone satisfactorily and we have held a high percentage of our renewals," said Peter Wilson, managing director of Weavers. "Rates are holding up extremely well."

"The market continues as an underwriter's market," contends Richard Hazell, underwriter for Lloyd's third-largest non-marine syndicate, syndicate 190, known as the F.R. White syndicate.

"It's a very steady market," said Mr. Hazell in an interview following remarks he made last week to the Assn. of Lloyd's Brokers' meeting in Chicago. "Rates are holding steady.

"We didn't give anything away. We weren't really put under pressure," said Mr. Hazell.

About 65% of syndicate 190's business comes from North America, about half of it direct and half reinsurance.

"Over here," Mr. Hazell said, referring to the United States, "there is a lot of uncollectible reinsurance. At Lloyd's, you do collect." Buyers perceive this and the security that Lloyd's offers as "what people have bought" from Lloyd's, he said.

July renewals have been "very good," said John Tyndall, executive director of the non-marine casualty division of C.T. Bowring & Co. Ltd. "It continually surprises me that our market has held up."

The difficulties Mr. Tyndall expected in placing U.S. busi-

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ness in London "have not materialized, although none of the orders are easy to place. I still believe that the third and fourth quarters this year will be difficult."

The renewal season has gone "very successfully and very well," said Terry Mann, deputy chairman and managing director of Lloyd's broker Price Forbes Ltd., the North American brokerage subsidiary of Sedgwick Group P.L.C. "We are pleased with the end result."

"There is more capacity than there was 12 months ago," said John Fenn, Lloyd's of London underwriter for non-marine syndicates managed by Merrett Underwriting Agency Management Ltd.

Brokers and underwriters also agree that renewals were much less hectic than a year ago. While there were still long lines of brokers waiting to talk to underwriters, most renewals were completed on or before July 1.

In particular, the London casualty insurance market eased significantly from last year's July renewals—when very little new U.S. liability business was placed in London—because the market's leading casualty underwriters offered new capacity and easier terms, brokers agree.

U.S. risk managers could buy up to $50 million in excess liability coverage on the Weavers claims-made form, the Lloyd's of London claims-made form or both, brokers say, more than many U.S. buyers sought. Many companies, brokers point out, only sought $25 million in excess liability coverage in the London market because they now buy layers excess of $25 million from recently created alternative facilities.

However, there is still a capacity shortage, Mr. Hazell said, observing that capacity has not returned to the level of five years ago.

"We have insurance customers trying hard to buy bigger limits," he said. The capacity problem continues to be mainly in the casualty lines, but there are some insurance buyers looking for higher property insurance limits, too, he said.

London brokers say they were able to retain existing U.S. liability business and attract new accounts because of the increased capacity and relaxed terms offered by Weavers in particular.

In May, Calfed Inc. announced that it had formed London-based Anglo-American Insurance Co. Ltd. with $80 million in capital and surplus to write excess liability risks.

Weavers subsequently announced that Anglo-American would underwrite 33.42% of Weavers' line slip, increasing Weavers' premium capacity by 50%.

As a result, Weavers now writes up to 100% of the first $5 million excess liability layer, up from 80%; 87.5% of the next $15 million excess of $5 million layers, up from 62.5%; and now participates on the $30 million excess of $20 million layer (*BI*, May 4).

In addition, Mr. Wilson announced last month that Weavers is offering a "package of enhancements" to its claims-made excess liability form for an additional premium.

'We certainly do not want to lose business to an occurrence market,' Mr. Wilson admits.

The new policy options include:

- A seven-year discovery period in the event of cancellation by the underwriter, the underwriter's refusal to renew or imposition of an exclusion by underwriters, and a one-year discovery period at terms to be agreed upon if the policyholder refuses to renew or cancels the policy. Weavers normally offers a three-year discovery period if the underwriter refuses to renew or cancels the policy and no discovery period if the policyholder cancels or refuses to renew.
- A "slightly broader' pollution exclusion clause "to make the language clearer," said Mr. Wilson.

This pollution exclusion, for example, does not apply "to any such discharge, dispersal, release or escape that is instantaneous in its happening. . . ." This includes the explosion of any plant, equipment or building; fire, lightning or windstorm damage; collision, overturning or upset of automobiles or railroad vehicles; product liability or completed operations liability hazards.

However, the pollution exclusion clause still says the policy will not cover any claim for cleanup and removal of pollutants or for liabilities caused by the dumping of pollutants created by any of the policyholder's own products.

"We will charge specifically for the coverage" enhancements, said Mr. Wilson. Brokers say the additional premiums range from 15% to 20% of the original premium.

Weavers decided to offer the options to compete with U.S. liability insurers that still use the occurrence form, Mr. Wilson admits. "We certainly do not want to lose business to an occurrence market."

However, he added, "We always said that with the claims-made form and one renewal under our belt, we would review it again and that's what we have done."

Brokers say they were able to place most of their liability insurance renewals and some new business in London as a result of the increased capacity and new terms.

For example, while Howden found that smaller U.S. companies were shying away from London's claims-made liability insurance market, large U.S. companies were interested in buying at least $25 million in excess liability coverage in the London market and purchasing higher limits from an alternative facility, said Mr. Drain.

Howden was able to place two new Fortune 500 companies' excess liability insurance programs in the London market, said Mr. Drain.

One company with sales exceeding $2.5 billion purchased $25 million in coverage on the Weavers form excess of a $2 million to $3 million self-insured retention, he said. The other company, which has a large propane gas risk, bought $25 million in coverage on the Weaver form excess of its self-insured retention and bought a $25 million layer excess of $25 million on the more restrictive Lloyd's claims-made form.

"There could conceivably be a gap" between the two policies, "but with propane gas there is a big-bang loss," explained Mr. Drain.

Bowring was able to maintain its book of casualty renewals and place "three new pieces of business," said Mr. Tyndall. "We only lost two accounts, one to the occurrence market in the U.S. and the other to self-insurance."

Weavers' additional capacity is important in maintaining U.S. business in London because now London insurers can write $20 million to $30 million of excess liability coverage without gaps, said Mr. Tyndall. Also, "the latest Weavers extensions helped fight the occurrence market."

The increased capacity at Weavers "is obviously helping a lot," said John Wooderson, chairman of the North American non-marine division of Willis Faber P.L.C.

"Weavers' increased capacity and extensions made a lot of American people happy," added Martin Howell, deputy chairman of the casualty division of Price Forbes. "The majority of people have taken advantage of Weavers enhancements."

However, Simon Harrap, chairman of the North American non-marine division of Stewart Wrightson Holdings P.L.C., warned that while Weavers' enhancements "will answer the criticisms voiced (about the form) and it will be easier to sell, no one is hell-bent on purchasing a claims-made wording. If a company can get an occurrence wording in the U.S., it will."

This renewal brokers also could place medical malpractice and lawyers professional liability risks, two types of coverage that were practically impossible to place a year ago.

Weavers, for one, is offering additional capacity for other types of liability coverage, including medical malpractice and lawyers professional liability, Mr. Wilson confirmed.

Howden placed medical malpractice insurance for a hospital consortium with Weavers acting as lead underwriter, said Mr. Drain.

"Competition" also returned to the directors and officers liability insurance market, said Mr. Harrap.

Rates for D&O insurance were cut by 10% to 15%, brokers say. London D&O underwriters this year were able to write 100% of the first $10 million coverage layer and more than 60% of the $10 million excess of $10 million layer, he said. Last year, it was hard to place the first $10 million D&O layer, especially for financial institution risks.

London property insurance brokers said they had to work hard during July renewals to maintain their business because U.S. property insurance rates are so competitive. However, London property underwriters also are reducing rates to compete with U.S. underwriters, the brokers say.

"To my knowledge we have not lost one renewal," said Mr. Mann of Price Forbes' property division. "The (London) market has responded to the changing circumstances. There is more capacity in the market. $20 million (in limits) have been increased to $25 million."

While London property underwriters are not reducing rates as much as property underwriters in the United States, "there are moderate rate reductions," he said.

The property business staying in London, however, is the "hard-core Lloyd's property business" that has been placed in the London market for many years, said Mr. Mann. Rates for this type of business did not rise dramatically during the hard market, so rates are cut only moderately as the market softens, he said.

However, the London market "is finding it difficult to compete" with the U.S. market for new property business, he said.

Mr. Wooderson of Willis Faber agrees that London underwriters are "following the rates down" in the property market, adding that property insurance capacity has increased 60% to 70% in the last year.

But Mr. Hazell objects to such observations, saying he did not reduce property insurance rates.

London reinsurers, meanwhile, are attempting to hold rates stable and maintain current terms and conditions for major U.S. property and casualty accounts, market observers say.

Rates for casualty treaties are remaining "firm and conditions are holding," said one reinsurance underwriter. Sunset clauses and limited reinstatements, which were introduced last year, are being retained during renewals, he said.

On property treaties, "reinsurance pricing is holding," said the reinsurance underwriter. "There is more capacity available, but it is not considerable.

"But there is no sign of us losing the business at the moment," he said. "When you're looking for catastrophe cover, you're still looking in all markets in the world."

Last year was virtually catastrophe-free for U.S. property accounts, an unusual occurrence, so underwriters made good profits, he pointed out, adding this could force property reinsurance rates to decrease. However, he said that one year without a catastrophe "is unique. Even with one year loss-free, we cannot go back to the old ways."

Overall, he said, "indications are that the business is beginning to soften. But this year there's been more of a consolidation than a softening." ■

Reinsurers offer softer terms, steady prices during renewals

By JUDY GREENWALD and DOUGLAS McLEOD

The reinsurance market is showing some signs of softening, although prices are not falling except for some property risks, reinsurers and brokers report.

While property reinsurance capacity increased and prices in some cases dropped during July 1 renewals, softening in the casualty lines is generally taking the form of less restrictive terms, brokers say.

Among other things, casualty reinsurers are extending or eliminating sunset clauses, observers say.

Rates for casualty reinsurance coverage have not shown any signs of retreating yet, say brokers and reinsurers, who note that the last down cycle is still too fresh in everyone's mind to permit cutthroat price competition to resume.

"I think, in general, reinsurers are holding the line, but with greater and greater difficulty," said Bard E. Bunaes, chairman of Constitution Reinsurance Corp. in New York.

"Reinsurers were so bloodied by the last few years, they're not going to give up very easily," he added.

"They're cautious about not leading any market parade with reductions," agreed John W. Smithson, president and chief operating officer of PMA Reinsurance Corp. in Philadelphia, who believes the "real test" of the market will come in January.

"They have one good year, but there are a lot of past sins to atone for, and you don't atone for those in one fell swoop," said Mario Leo, executive vp with TPF&C Reinsurance, a unit of consultant Towers, Perrin Forster & Crosby Inc. in Darien, Conn.

Nevertheless, brokers generally report a somewhat easier time completing this year's July 1 renewals compared with their experience in recent years.

"It's gone much more smoothly. Things that dragged out into July and August last year are done this year," said Michael Rothpletz, senior vp for treaty reinsurance with G.L. Hodson & Son Inc. of New Hyde Park, N.Y., a unit of Corroon & Black Corp.

Mr. Rothpletz reported more capacity for property risks and some price reductions, though he said that such reductions aren't being offered yet for casualty risks.

Improvement in the casualty market, for example, is taking the form of extensions of the terms of sunset clauses—which gradually phase out coverage over a defined period—to seven years from five years, and the addition of new markets taking small lines on casualty placements, particularly in working layers, Mr. Rothpletz said.

Ceding insurers generally are looking to buy more reinsurance in the working layers of casualty programs, he added.

"I think they were a little bit uncomfortable with the retention levels they were forced to go to in the past," Mr. Rothpletz said.

Aggregate caps—which limit total payouts under casualty treaties in a given year—and limited reinstatements of treaty limits are still being required and probably are "here to stay," he added.

For most reinsurers, however, the claims-made form is no longer of interest for any but the largest, most hazardous risks.

"The whole claims-made issue is dead," Mr. Rothpletz said. "They recognize that it's not going anywhere on the primary side" except for Fortune 500 or 1000 companies that already were insured on a claims-made basis.

Even London reinsurers, he added, "realize that claims-made is not going to go on the ordinary business."

Some reinsurers are increasing per-person limits on upper-layer workers compensation coverages, while reducing rates, said Demarest S. Newman, senior vp with Cole, Booth, Potter Inc. in Old Bridge, N.J.

Casualty treaty reinsurers also may expand the aggregate caps that were imposed when the market started to constrict in 1984, Mr. Newman added, explaining that underwriters may use an expanded aggregate as a "carrot" to help retain ceding insurers.

"There is no question about the fact that there is softening (in terms) in the reinsurance market," he observed. "U.S. underwriters are unwilling to admit that they are doing anything less than they were last year, but in practice that is not the case."

Rates on some property reinsurance renewals, meanwhile, are going down, while other property programs are renewing at expiring rates, Mr. Newman added.

Ceding companies are still increasing their retentions on property risks and are focusing more on buying second- and third-loss reinsurance protection, he said.

"Property business in general seems to have had fairly significant rate reductions," agreed Frank Haftl, president and chief operating officer of Metropolitan Reinsurance Co. in New York, discussing treaty business.

Mr. Haftl added, "This is probably because the casualty market's still not generally sought after, and more and more people are seeking property business." This has put pressure on rates and conditions, he said.

"We feel that in the casualty market, reinsurers are not responding to the pressure of rate reductions as much as in the property side," he added.

While noting some rate reductions for certain types of business and some loosening in casualty treaty terms, several other reinsurers report relatively little change in the market for July 1 renewals.

"I don't think we see very much change," said N. David Thompson, president and chief executive officer of North American Reinsurance Corp. in New York. There have been some rate reductions, he said, but he added, "It is not significant."

In some cases, he said, prices are being reduced to the level where they should have been.

"It's been pretty much status quo," said Chuck Sabbah, chairman of Fortress Re Inc., a Burlington, N.C., underwriting agency that primarily specializes in writing aviation and non-marine property business on behalf of four Japanese insurance companies.

"If there's been any change, it's been so slight, it's not even worth mentioning," he said. "I think a lot of (ceding) companies have learned their lesson" because of problems with uncollectible reinsurance, and are willing to pay more for secure reinsurance.

"The reinsurance market in the U.S. has a far greater discipline than we've had heretofore," said Martin P. Jackson, president of New York-based U.S. International Reinsurance, formerly the Home Reinsurance Co.

As a result, he said, more and more business is now returning to the United States rather than fleeing, while more international business is coming to the United States.

Michael R. Pinter, executive vp in charge of treaty underwriting at Kemper Reinsurance Co. in Long Grove, Ill., said the biggest change he has seen in the marketplace this renewal season is that some reinsurers are no longer applying the coverage constraints implemented last year in certain areas.

Sunset provisions are being taken out in certain instances, for example, and where last year reinsurers limited reinstatements of treaty limits, this year they may be unlimited.

"We don't see substantial changes in anything," said Paul D. Hawksworth, executive vp of the Mercantile & General Reinsurance Co. of America, based in Morristown, N.J., which writes only treaty business.

"Certainly, in an account-by-account basis, you may see some price weakening, but these tend to be single situations, and I wouldn't say they're characteristic of the market."

There certainly is no softness or weakness in the retrocession market, and this generally drives the rest of the market, he added.

"From a reinsurance standpoint, I think we may run on an even keel for a while," Mr. Hawksworth observed.

"The reinsurance terms are holding up pretty well," said Jeremy R. Wallis, president of the New Zealand Reinsurance Co. of America, based in Chatham, N.J., which writes only treaty business. Where there has been some softening, it is justified, he said. "There's no madcap competition developing."

"Things have held pretty steady" on treaty business, agreed Nigel Harley, president of Continental Reinsurance Corp. in New York.

However, Leonard J. Meredith Jr., president and chief executive officer of NWNL Reinsurance Co. in Minneapolis, said he has found the market more unsettled for treaty and facultative risks.

"It's the biggest mixed bag I've ever seen in my career. There is nothing definitive, as I see it. It is the most undefined marketplace I've ever been in," Mr. Meredith observed.

"We've effectively decided to withdraw from the market," he said. NWNL Re has not been renewing much of its portfolio, and has not written a new piece of treaty business since January, he said. Its facultative property business is 25% of last year's level, while it is writing 40% of last year's facultative casualty business.

"We'll be cutting back and cutting back until we're down to nothing but our long-term relationships," he said.

Other reinsurers have reported generally more competitive conditions in the facultative market, which some say is loosening more dramatically than the treaty market.

James E. Dwane, president of the Prudential Reinsurance Group in Newark, N.J., said rates on facultative casualty risks are "more or less in line. They seem to be adequate at this point."

However, he noted also that "there's been a shift in the buying habits."

Reinsurers, he said, are being asked to respond to moderate-to-high hazard risks as compared to a year or two ago, when they were asked to reinsure low-to-moderate hazard risks. Today; primary companies are keeping more of the latter risks to themselves, and buying reinsurance for the moderate-to-high risks. ■

update

MMRMA nixes bond issue

LIVONIA, Mich.—The board of directors of the Michigan Municipal Risk Management Authority has decided against a bond issue to fund the $10 million occurrence-based liability limit it offers member municipalities, board members say.

At a board meeting last month, the directors opted against a bond issue of at least $25 million to replace a combination of commercial reinsurance and self-insurance of liability limits excess of member municipalities' standard self-insured retentions of $50,000, confirmed Robert Deadman, a MMRMA board member and city manager of Farmington, a Detroit suburb (*BI*, Feb. 16.)

MMRMA, a municipal self-insurance pool, may reconsider the bond issue at a later date, Mr. Deadman said.

The MMRMA board also hired a Los Angeles-based executive search firm to find an executive director who will oversee MMRMA operations and report directly to the board of directors.

MMRMA is working with the accounting firm of Coopers & Lybrand to determine what the executive director's authority and responsibilities will be, Mr. Deadman said.

Meanwhile, Coopers & Lybrand is also performing a comprehensive audit of MMRMA, including an analysis of the pool's reserves, he confirmed. The audit may be completed within 90 days.

EPIC seeking capital

NEW YORK—Solicitations for capital to establish a risk retention group that would write environmental impairment liability insurance went out last week to companies and brokers that had expressed an interest in the project, known as Environmental Protection Insurance Co., or EPIC.

Already about two dozen letters of intent to join EPIC have been received, according to Karen Bellus, a vp with the national marketing division of Alexander & Alexander Inc.

Alexander & Alexander Services Inc. was granted a permit by the Illinois Department of Insurance to solicit the capital.

A&A hopes to raise at least $30 million by Oct. 31 for the facility to provide gradual as well as sudden and accidental environmental impairment liability coverage with limits of $5 million per occurrence and $10 million annual aggregate.

RRG declaratory relief sought

WASHINGTON—The National Assn. of Insurance Brokers is advising the U.S. Department of Commerce on how to improve implementation of the 1986 Risk Retention Act.

"NAIB recommends that the Justice Department be ordered to assist risk retention group participants in seeking declaratory relief in the federal courts whenever state laws conflict with the Risk Retention Act," wrote NAIB Laws and Legislation Chairman Alan G. Page, in a July 8 letter to the Commerce Department.

Other recommendations include: placing the responsibility for solvency oversight with the regulator of the group's domicile state; strengthening provisions authorizing brokers and agents to represent groups; exempting risk retention groups from participating in joint underwriting associations; permitting groups to offer employers' liability; and clarifying risk retention groups' exemption from federal securities laws and state surplus lines laws.

The suggestions were solicited by the Commerce Department, which will report its findings to Congress by Sept. 1.

Chrysler fined $1.5 million

WASHINGTON—The largest penalty ever for job health and safety violations—$1.5 million—was assessed against Chrysler Corp. last week by the Occupational Safety and Health Administration.

OSHA cited Chrysler's Newark, Del., plant for 811 alleged instances of violations of safety and health standards, including willfully exposing workers to lead and arsenic.

The agency also said Chrysler is not fully complying with OSHA's hazard communications standard, which requires employers to notify employees of any dangerous chemicals in the workplace.

Chrysler has agreed to pay the fines but has not admitted violating any OSHA standards, according to the agency.

Briefly noted

A bill to extend the **Price-Anderson Act** and increase liability limits for nuclear power reactors to $7 billion from the current level of $700 million was approved by the House Energy and Commerce Committee last week (*BI*, June 1). . . .The 9th U.S. Circuit Court of Appeals in San Francisco has declined to review a U.S. District Court decision that permits a former **Firestone Tire & Rubber Co.** employee to sue his employer for exposing him to toxic substances, even though he had not exhibited any signs of illness (*BI*, April 6). An attorney for Firestone, which filed the appeal, said that the company could again ask the appeals court to review the decision at a later time. . . .Sedco Forex of Dallas was awarded about $115 million by the **Iran-U.S. Claims Tribunal** to compensate the contract driller for properties that were expropriated during the 1979 Iranian revolution. The award to the Schlumberger Ltd. subsidiary could be the largest yet handed down by the tribunal. . . .**The College of Insurance** in New York has hired an executive search firm to find a replacement for President Linda H. Lamel. Ms. Lamel said that the college's improved financial position allows for the search, which originally had been scheduled for 12 to 18 months after she was named president in 1983. Separately, new trustees were elected last month: Joseph Fahys, president and CEO of the New York Insurance Exchange; Richard H. Blum, president and CEO of Guy Carpenter & Co.; Robert Sanford, president of Smyth, Sanford and Gerard Inc.; Richard E. Meyer, executive vp of Johnson & Higgins; and Thomas A. Cook, chairman and CEO of Cook & Miller International Ltd.

Carriers suit

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filed by Carriers' management showed a surplus of $9.3 million, the suit says.

However, in a June 26, 1985, report, the accounting firm of Peat Marwick Mitchell & Co., since renamed Peat Marwick Main & Co., refused to certify its audit of Carriers and said that the insurer "appeared to be insolvent," the suit says.

John Toi, Carriers' former chief financial officer, also warned in a Sept. 15, 1985, report that Carriers could be insolvent by as much as $32.5 million.

The four directors ordered Mr. Toi to destroy this report, the complaint charges.

Another report by Mr. Toi showed a surplus deficit of $40.7 million as of Sept. 30, 1985, and Mr. Toi informed the Iowa department of "some of these facts," the suit says.

Insurance Department examiners later concluded that Carriers had a surplus deficit of $85.4 million as of Nov. 30, 1985.

During efforts to rehabilitate the insurer, the Iowa department found that "Carriers had lost its reinsurance protection, couldn't collect monies due to it, couldn't prove how much money was owed to it, had inadequate data processing and accounting practices, had uncontrolled managing general agents and lacked coordination between departments," according to the complaint.

Regulators found it "impossible to turn the situation around," and Carriers was ordered liquidated.

State guaranty associations eventually will have to pay at least $117 million in claims to Carriers policyholders, while other claims will total an estimated $20 million, according to the complaint.

The suit charges that the four Carriers directors were negligent in:

• Allowing Carriers' financial condition and relationships with insurance departments and reinsurers to deteriorate to the point where the insurer lost its licenses or was forced to make special deposits or establish trust funds.

• Allowing MGAs to operate without adequate home-office control and without remitting premiums to Carriers.

• Allowing sums due from subsidiaries to go unpaid and later incurring debts to the subsidiaries "of such magnitude that the subsidiaries failed after Carriers failed."

• Failing to maintain proper data processing facilities and claims management procedures.

• Failing to maintain adequate reserves.

• Selling policies to companies in such poor financial shape that they were unable to pay premiums.

• "Indulging in the sale of exotic 'insurance' products such as the 'residual value program' without adequate underwriting or reinsurance; and employing unorthodox marketing methods such as (the) sale of insurance in Alaska through a Texas managing general agent with illusory reinsurance in the Bahamas."

The complaint also charges that the four directors breached their fiduciary duties by engaging in self-dealing. The suit charges that the four men:

• Authorized Carriers to invest $1 million in preferred shares of Bankers Trust Co. of Des Moines, which is controlled by the elder Mr. Ruan, and failed to divest the shares—which dropped substantially in value—when advised by Carriers' auditors that the investment was not legal.

• Authorized the sale of Carriers' home office building to another corporation controlled by Mr. Ruan, which provided Carriers with unsecured installment notes for $6.9 million of the sale price at interest rates below the then-prevailing market rates.

• Failed to promptly bill Ruan-controlled trucking companies insured by Carriers and refused to direct the companies to remit more than $1.1 million in premiums owed to the insurer.

The lawsuit seeks damages of at least $60 million on the negligence charges and at least $3 million on the self-dealing charges.

In their joint answer, the four directors generally deny the negligence allegations and specifically deny that Mr. Toi was ordered to destroy his report on Carriers' financial condition.

Mr. Toi was asked not to distribute the report because some of its assumptions were questionable, the directors assert.

The answer also denies the self-dealing charges, maintaining that:

• Bankers Trust obtained permission from federal and state regulators to issue preferred shares at the price ultimately paid by Carriers.

• The Iowa department gave Carriers permission to sell its home office building, and the building was sold at a profit of $3.4 million. The Ruan-controlled entities that issued the unsecured notes have never missed a payment on the notes, the answer says.

• Ruan-controlled policyholders of Carriers were treated like all other policyholders and that a legitimate dispute exists over the amount of additional premium owed to Carriers.

In his statement last month, Mr. Miller said the lawsuit was a "shock" to the four men, who had worked with the Insurance Department for five years "in a good faith effort."

The statement also noted that the elder Mr. Ruan had invested $12.2 million in Carriers in the two years before it went under.

Separately, another book of Carriers business has resulted in a lawsuit filed in U.S. District Court for the Southern District of Texas in Houston.

In an amended complaint filed in April, Rollins Burdick Hunter of Alaska Inc. charged that a Carriers MGA, Huntsville, Texas-based Corporate Underwriters Agency Inc., and its principal, Harley L. Carlson, mishandled business produced by RBH.

Specifically, the lawsuit charges CUA and Mr. Carlson with deceptive trade practices, fraud, misrepresentation, conspiracy and violation of the federal Racketeer Influenced and Corrupt Organizations Act.

Among other things, the complaint charges that CUA and Mr. Carlson improperly moved primary casualty coverages for two Alaska public entity clients of RBH from Carriers Insurance Co. to the insurer's New York subsidiary, Carriers Casualty Co. Carriers Casualty—ordered liquidated in October 1986—was a non-admitted insurer in Alaska, which meant claims against it are unprotected by the state guaranty fund.

Carriers also wrote workers compensation coverage for the two public entities, Kenai Peninsula Borough and Arctic Slope Regional Corp.

The complaint also says that Carriers and Carriers Casualty acted as fronting insurers for the two public entities and that the two insurers were 100% reinsured by Southern Reinsurance Co. Ltd., a reinsurer incorporated by CUA and Mr. Carlson in the Turks & Caicos Islands in 1981.

The complaint charges that Southern Re, in turn, ceded all of its risk to retrocessionaires "that became insolvent and/or questioned the propriety of defendants' actions."

Arctic Slope Regional Corp. has received no payments on more than $1.2 million in claims, the complaint says.

CUA and Mr. Carlson also converted premiums for their own use, the complaint charges.

While CUA and Mr. Carlson told the two entities that workers compensation coverage written by Carriers would be non-auditable, Carriers' liquidators later demanded additional premiums, according to the complaint.

RBH paid $34,278 on behalf of one of the entities in February, but the liquidator's claim of $382,000 against the other entity has not yet been settled, the complaint says.

Mr. Carlson also is charged with stripping the assets of CUA and Southern Re and converting them to his personal use.

CUA and Mr. Carlson invested the proceeds from the alleged fraud in Best Holdings Inc., a Texas holding company owned by Mr. Carlson, and Stone Mountain Insurance Co., a Georgia-domiciled insurer that Best Holdings acquired from a unit of Alexander & Alexander Services Inc., according to the complaint.

Answers to the amended complaint have not yet been filed.

In an interview, Mr. Carlson denied the charges and specifically denied ever converting premiums or assets for his own use.

"I was surprised at all the allegations they were making," Mr. Carlson said.

He added that RBH lawyers have discussed settling the case if Mr. Carlson can find retroactive insurance to replace Carriers coverage.

Attorneys for RBH could not be reached for comment. ■

Florida medical malpractice

Continued from page 1

In fact, many of those new residents stay only half a year, returning to homes in other states during the summer.

There is a "lack of a sense of community," agreed David Rader, president of the Florida Physicians Insurance Co. in Jacksonville, Fla., which is sponsored by the Florida Medical Assn.

Fueling the surge in litigation is the large number of attorneys in the state, some observers say. "We have a lot of skilled, aggressive plaintiffs' attorneys," Mr. Dickinson said.

Florida has "crackerjack lawyers," Mr. Rader agreed. "They do a great job."

If these attorneys lived in Iowa rather than Florida, then Iowa "would have malpractice rates that would go through the roof," Mr. Rader asserted.

"When I started my practice in 1969, one in 30 doctors had ever been involved in a malpractice suit," Dr. Norman said. "Now, the odds are that one of every four doctors will be sued this year."

Insurance rates are high "because of the frequency of suits and the amounts of the awards. It's as simple as that," Dr. Norman asserted.

But Steve Masterson, executive director of the Academy of Florida Trial Lawyers, defended attorneys in the state. The correlation between attorneys and malpractice suits has "always been proven to be a myth," he said, adding the proper correlation is between suits and the number of medical procedures that cause injuries.

Few of the academy's 2,700 attorneys specialize in medical malpractice litigation, he pointed out. "Personal injury is not an area that has been expanding; it's been contracting," he said.

Florida's malpractice problems also stem from the fact that judges in the state are given discretion in how they instruct the juries, which could bias the juries in plaintiffs' favor, Mr. Rader noted.

"Southern Florida juries have been excessively generous," said Ralph R. Madio, whose firm, Madio & Co., runs the Paragon Fund, a self-insurance trust based in Hollywood, Fla.

Because of these factors, insurers in Florida split the state in two when setting medical malpractice rates, said Mr. Abberger. And physicians in the southern part, where rates are much higher, have begun to protest, he said.

"I think because rates for malpractice are higher in that part of the state, physicians there have been less tolerant of further increases," Mr. Abberger observed. He adds that doctors can't easily pass on insurance rate hikes to patients because health costs in southern Florida are already higher than in other areas.

It's not only commercial insurers raising rates. Florida Physicians Insurance Co. in Jacksonville, sponsored by the Florida State Medical Society and owned by its 2,500 policyholders, raised rates an average of 35% in January 1985, 30% in January 1986, and 25% in January 1987. Its rates now are "relatively comparable" to those charged by St. Paul, said Mr. Rader.

The company, which writes maximum limits of $1.5 million per occurrence/$4.5 million aggregate, expects to write between $45 million and $50 million in gross premiums this year, Mr. Rader said.

Medical malpractice coverage for about half of Florida's physicians now is written by self-insurance trusts, according to a spokeswoman for the Florida Insurance Department. The trusts are owned by member physicians, who can be assessed for any deficits.

Coverage issued by the trusts is not always cheaper than commercial insurance, Dr. Norman noted. "It's as expensive, if not more, than the coverage from insurance companies."

For example, Dr. Norman, a plastic surgeon, is paying the Physicians Protective Trust $5,500 per month, or $66,000 annually, for $500,000 in claims-made coverage.

Next year, the cost will rise to $90,000 for the year, and by the time the five-year policy expires in three years, the premium will be $150,000 annually, he said.

A neurosurgeon in the fifth-year of a claims-made policy pays $190,000 per year to the trust and a gynecologist pays $160,000, he said.

Dr. Norman is also paying a $70,000 assessment this year to a trust from which he previously purchased coverage that has sustained heavy losses.

Among the trusts currently writing coverage for Florida doctors are:

- Physicians Protective Trust Fund in Coral Gables, the largest with 4,000 physicians.

Mr. Dickinson said the trust increased rates an average of 35% in 1986 and 22% this year. But with St. Paul's July 1 increase, Mr. Dickinson said the trust's rates are now about 25% below St. Paul's in Dade and Broward counties and "plus or minus" 8% of St. Paul's rates in other parts of the state.

Physicians Protective offers coverage limits of $2 million per occurrence/$4 million aggregate.

- Florida Physicians Insurance Trust in Tallahassee, with 1,200 medical doctors and osteopaths, plus 500 podiatrists.

Mr. Atkins said the trust increased its rates about 14% on Jan. 1, 1986, and 18% on Jan. 1, 1987, and says its rates are roughly 30% lower than St. Paul's.

Florida Physicians Insurance Trust offers limits of $1 million per occurrence/$3 million aggregate.

- Anesthesiologists Professional Assurance Trust, which is managed by Alexander & Alexander Inc.'s Miami office and has 455 members.
- The Paragon Fund, operated by Madio & Co., which writes coverage for 200 urologists.
- The South Florida Ophthamological Self-Insurance Trust in Miami, with 90 members.
- The South Broward Hospital District Physicians Professional Liability Insurance Trust in Hollywood.
- Caduceus Self—Insurance Fund in Fort Lauderdale.

Spokesmen for South Broward and Caduceus could not be reached for comment.

Among the new sources of malpractice insurance in Florida is Premier Alliance Insurance Co., based in Westchester, Ill., owned by Premier Hospitals Alliance Inc.

But, Premier will insure only 40 doctors associated with Memorial Medical Center in Jacksonville, Fla., also owned by Premier Hospitals.

Premier Alliance began writing physicians professional liability coverage in Florida on July 1, says President Robert Pierson. The insurer offers coverage of $1 million per occurrence/$3 million aggregate at rates comparable to those offered by St. Paul, he said.

Physicians National Risk Retention Group Inc. also is seeking to write business in the state. Last month, U.S. District Court Judge Maurice Paul ordered the Baton Rogue-La. based insurer to stop selling the coverage to Florida physicians until the risk retention group could prove its financial position was better than statements submitted to the Florida department indicated (*BI*, June 15).

Douglas Crucet, who heads the risk retention group, said the group, which has more than $1.5 million in capital, submitted additional financial information to the department, and he expects to receive word from the department this week as to whether it can pursue business in the state.

So far, the group has issued binders to 165 physicians, Mr. Crucet noted. "We will accommodate all physicians in the state of Florida, except for malefactors," he said.

In addition, a spokesman for CNA Financial Corp. said the insurer has submitted a rate filing to the Florida Insurance Department to provide a market for physicians whose policies were not renewed by CIGNA. No additional details were available from the insurer or the department.

Florida physicians who cannot find coverage elsewhere also can turn to the state's joint underwriting association for coverage, but the cost can be high.

Dr. Norman said a Florida neurosurgeon, whose policy was canceled by St. Paul and who was denied coverage by other insurers, eventually paid $200,000 for a policy with $250,000 limits, the maximum provided by the JUA.

Among the possible solutions to Florida's malpractice insurance problem the governor's committee could consider is the proposal by Insurance Commissioner Bill Gunter to create a medical malpractice insurance pool to provide coverage for the state's hospitals and doctors (*BI*, April 27).

The Legislature, however, this year rejected the proposal to create the Florida Hospital & Physician Liability Assn., which would have provided claims-made coverage to all practicing physicians and more than 200 hospitals.

Under the proposal, hospitals would have been required to cover their staff physicians for incidents that occurred within their facilities up to limits of $250,000 per event with an annual aggregate of $750,000. The hospitals would have been required to purchase from the pool the minimum medical malpractice insurance required by law: per-claim limits of $10,000 per bed up to a maximum of $2.5 million.

Mr. Gunter now is pushing to have the proposal reintroduced in the Legislature in September.

J.B. Spence, a Miami attorney who specializes in medical malpractice litigation, said one proposal that may be considered by the Legislature is the creation of a state insurance fund, with the state's 33,000 doctors charged premiums on the basis of their specialities and incomes. Under the plan no doctor would be required to pay more than 5% of his or her income for coverage.

Another proposal is to create a workers compensation-like system for medical malpractice claims in the state, with injured parties paid according to a pre-established schedule, observers noted.

Mr. Dickinson of Physicians Protective Trust noted that some observers believe a $450,000 cap on punitive damages enacted by the Legislature last year that was later declared unconstitutional by the Florida Supreme Court might be acceptable to the judiciary if the "proper foundation" for it were laid (*BI*, April 27; May 4).

For instance, a preamble to a proposal stating there is an overriding public need for such a cap could establish a foundation, he said, adding there is now a push for a constitutional amendment placing a cap on punitive damages.

Other proposals observers say could help alleviate the situation, some of which have been made in other states, include:

- A statute limiting attorneys' contingency fees.
- Eliminating joint and several liability.

Under the Tort Reform and Insurance Act of 1986 passed by the Florida Legislature, joint and several liability applies in cases where damages exceed $25,000 only to economic damages and only when the fault of the defendant is found to be equal to or greater than the fault of the plaintiff. Joint and several liability remains in effect for all economic damages and for non-economic damages under $25,000.

- Limiting the instances in which insurers could be sued for bad faith and forced to pay jury awards that exceed policy limits.
- A more effective system of pulling the licenses of marginal or poor doctors. ■

BI Industry Stock Report

July 9, 1987 **7/3/87 thru 7/9/87**

Company	Exch.	Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol.(000)
Brokers									
Alexander & Alexander Svcs	NYSE	26.00	3.0	31.0	1.00	3.8	26.25	25.63	339.2
Baldwin & Lyons Inc	OTC	20.00	0.0	8.4	0.20	1.0	20.00	20.00	0.2
Corroon & Black Corp	NYSE	30.38	3.0	14.1	0.84	2.8	30.50	29.75	232.9
Gallagher Arthur J & Co	OTC	20.00	0.0	15.4	0.40	2.0	20.50	20.00	21.1
Hall Frank B & Co Inc	NYSE	13.50	5.9	0.0	0.00	0.0	14.25	12.88	370.9
Marsh & Mclennan Cos Inc	NYSE	61.88	-0.2	16.9	2.40	3.9	62.50	61.75	625.7
Poe & Assoc Inc	OTC	12.25	0.0	15.5	0.40	3.3	12.25	12.25	12.7
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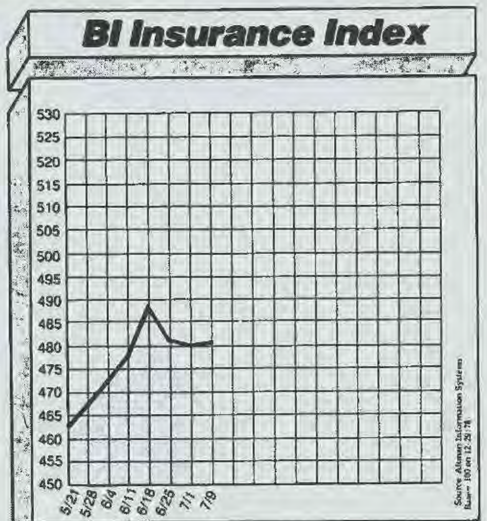
AGENTS/BROKERS	AVERAGE			15.3		3.1			
Conglomerates & Holding Cos.									
Berkley W R Corp	OTC	24.75	-6.6	8.4	0.28	1.1	26.25	24.75	726.2
Berkshire Hathaway Inc Del	OTC	3500.00	1.4	116.2	0.00	0.0	3500.00	3420.00	1.4
CIGNA Corp	NYSE	64.75	2.0	9.3	2.80	4.3	64.75	63.00	1,291.8
CNA Finl Corp (CNA)	NYSE	52.13	0.7	11.9	0.00	0.0	52.13	51.75	641.0
General Re Corp	NYSE	51.50	-5.3	15.8	1.00	1.9	54.75	51.50	1,577.6
ITT (Hartford Group)	NYSE	60.00	3.4	15.4	1.00	1.7	60.38	58.75	3,113.4
Sears Roebuck & Co. (Allstate)	NYSE	50.13	-0.5	13.0	2.00	4.0	51.25	50.13	3,537.4
Transamerica Corp (Occidental)	NYSE	42.38	4.6	9.5	1.76	4.2	43.25*	40.50	1,897.9
				=====		=====			
CONGLOMERATES/HOLDING COS.	AVERAGE			64.2		0.2			
Insurers									
Acceptance Ins Hldgs Inc	OTC	11.00	4.8	6.1	0.00	0.0	11.00*	10.75	147.2
Aetna Life & Cas Co	NYSE	59.25	-1.3	9.1	2.76	4.7	59.75	59.25	4,231.8
American General Corp	NYSE	40.13	0.3	10.8	1.25	3.1	40.38	40.00	1,848.6
Amern Heritage Life Invt Co	NYSE	32.25	-0.8	16.3	0.96	3.0	32.75	32.25	2.1
American Indty Finl Corp	OTC	15.50	3.3	0.0	1.12	7.2	15.50	14.50	15.1
American Intl Group Inc	NYSE	69.63	-1.9	15.3	0.25	0.4	71.00	69.63	1,311.0
Ameco Reins Ltd	OTC	2.63	-4.5	0.0	0.00	0.0	2.75	2.63	57.9
Avemco Corp	NYSE	23.25	-3.6	16.8	0.28	1.2	24.25	23.25	32.2
Business Mens Assurn Co Amer	OTC	40.25	3.9	0.0	1.10	2.7	41.00*	40.25	627.0
Chubb Corp	NYSE	61.75	-0.8	9.8	1.68	2.7	62.75	61.75	573.1
Aon Corp	NYSE	26.88	4.4	9.5	1.20	4.5	27.00	26.25	586.1
Continental Corp	NYSE	44.63	0.6	10.1	2.60	5.8	45.25	44.63	323.4
Crown Life Ins Co	OTC	270.00	0.0	9.3	6.40	2.4	270.00	270.00	1.0
Durham Corp	OTC	33.25	-1.5	19.6	0.92	2.8	33.25	32.75	59.9
Farmers Group Inc	OTC	42.00	-6.7	13.2	1.20	2.9	44.00	42.00	1,397.3
Fairmont Finl Inc	AMEX	17.63	0.0	9.9	0.00	0.0	0.00	0.00	0.0
Fireman Fd Corp	NYSE	36.00	0.7	12.4	0.40	1.1	36.00	35.63	813.7
Fremont Gen Corp	OTC	15.63	-1.6	0.0	0.60	3.8	16.25	15.63	111.8
Great West Life Assurn Co	OTC	700.00	0.0	14.4	18.00	2.6	0.00	0.00	0.0
Home Group Inc	AMEX	19.13	-3.8	4.9	0.20	1.0	19.50	18.88	462.6
Hanover Ins Co	OTC	34.50	8.7	8.3	0.36	1.0	34.50	32.00	83.1
Harleysville Group Inc	OTC	16.25	0.0	5.1	0.40	2.5	16.50	16.25	27.2
Hartford Steam Boiler Insptn	OTC	31.00	2.5	13.5	1.00	3.2	31.00	30.50	73.7
Kans City Life Ins	OTC	28.75	0.9	11.1	0.96	3.3	28.75	28.50	36.4
Kemper Corp	OTC	31.25	0.8	10.8	0.60	1.9	31.75	31.25	344.4
Liberty Corp S C	NYSE	39.50	0.6	14.2	0.72	1.8	39.75	39.25	15.1
Lincoln Natl Corp Ind	NYSE	49.88	-2.7	10.5	2.16	4.3	51.13	49.88	354.7
Mission Ins Group Inc	PAC	1.63	0.0	0.0	0.00	0.0	4.38	0.69	2.3
Monumental Corp	OTC	55.63	0.0	18.8	0.00	0.0	55.63	55.63	1.1
Nac Re Corp	OTC	24.50	0.0	32.2	0.00	0.0	25.00	24.50	6.3
Nobel Ins Ltd	OTC	12.75	-3.8	9.6	0.37	2.9	13.75	12.75	29.6
Northwestern Natl Life Ins	OTC	27.25	-0.5	7.8	0.96	3.5	27.50	27.25	195.1
Ohio Cas Corp	OTC	45.00	2.3	12.8	1.68	3.7	45.00	44.00	460.4
Old Rep Intl Corp	OTC	30.00	0.0	10.7	0.80	2.7	30.25	30.00	112.9
Orion Cap Corp	NYSE	24.00	8.5	0.0	0.76	3.2	24.00	22.50	63.6
Protective Corp	OTC	14.38	3.6	11.7	0.70	4.9	14.38	13.75	195.2
Provident Life & Acc Ins Co	OTC	20.75	2.5	11.5	0.84	4.0	20.75	20.38	1,006.0
Reliance Group Hldgs Inc	NYSE	10.25	-2.4	11.4	0.16	1.6	10.25	10.13	94.4
St Paul Cos Inc	OTC	46.75	2.7	10.8	1.76	3.8	48.00	46.25	1,235.7
SAFECO Corp	OTC	29.75	-4.0	11.1	0.96	3.2	31.00	29.75	1,273.2
Scor U S Corp	OTC	12.25	-12.5	14.6	0.00	0.0	14.25	12.25	54.5
Seibels Bruce Group Inc	OTC	15.50	0.0	96.9	0.80	5.2	15.50	15.25	172.1
Selective Ins Group Inc	OTC	25.88	-0.5	10.0	0.92	3.6	26.00	25.50	256.5
Statesman Group Inc	OTC	4.94	1.3	0.0	0.05	1.0	5.00	4.94	92.8
Tokio Marine & Fire Ins Co	OTC	71.75	0.0	80.6	0.19	0.3	71.75	71.75	3.7
Torchmark Corp	NYSE	28.25	-1.7	10.1	1.20	4.2	28.25	28.00	865.8
Travelers Corp	NYSE	44.75	0.0	9.6	2.28	5.1	45.38	44.75	1,843.7
Trenwick Group Inc	OTC	13.75	-1.8	23.3	0.00	0.0	14.75	13.75*	15.3
United Fire & Cas Co	OTC	29.75	-1.7	9.5	0.96	3.2	31.00	29.75	7.7
United States Fid & Gty Co	NYSE	39.88	5.3	9.6	2.48	6.2	39.88	38.75	1,301.9
Unum Corp	NYSE	24.00	0.0	0.0	0.40	1.7	24.38	24.00	430.4
Uslife Corp	NYSE	37.63	-1.0	9.6	1.20	3.2	38.63	37.63	208.2
Washington Natl Corp	NYSE	33.25	13.7	17.1	1.08	3.2	33.25	29.38	242.6
Zenith Natl Ins Corp	OTC	21.50	3.6	12.4	0.80	3.7	22.00	20.75	468.7
				=====		=====			
INSURANCE COMPANIES	AVERAGE			12.1		2.7			

System design: Altman Information Systems



Industry stocks rose this week as the *Business Insurance* stock index climbed 1.2 points to 481.2 on July 9 from 480.0 on July 1. Of 65 industry stocks monitored, 27 posted increases, 25 showed declines and 13 remain unchanged. Advancing issues were led by: Washington National Corp., up 13.7%; Hanover Insurance Co., up 8.7%; Orion Capital Corp., up 8.5%; and Frank B. Hall & Co. Inc., up 5.9%. Declining issues were led by: Scor U.S. Corp., down 12.5%; Farmers Group Inc., down 6.7%; W.R. Berkley Corp., down 6.6%; and General Re Corp., down 5.3%. The *BI* index climbed 0.25% for the week, trailing other market indicators: The Dow Jones 30 Industrials rose 1.7%, and both the New York Stock Exchange composite and the Standard & Poor's 500 rose 1.5%.