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update

Judge upholds Lloyd's ban against Posgate's return

LONDON—A former House of Lords judge has upheld Lloyd's of London's decision to ban Ian R. Posgate from underwriting at Lloyd's.

Last week, Lord Wilberforce dismissed Mr. Posgate's appeal of a February decision by the Council of Lloyd's to reject R.L. Glover & Co. (Underwriting Agencies) Ltd.'s application as a managing and member's agent for marine and non-marine

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BMF, insurers offer $32 million to Occidental

By DOUGLAS McLEOD

LOS ANGELES—Bayly, Martin & Fay International Inc. and several of its insurers will pay Occidental Petroleum Corp. $32 million to settle charges that the brokerage placed parts of Occidental's property reinsurance program with an apparently non-existent insurer.

Occidental, which paid $22.5 million for the apparently bogus policies, sued BMF and several of its subsidiaries in California State Superior Court in Orange County last August charging fraud, breach of contract and negligence.

Occidental thought it was buying property reinsurance for its Bermuda captive insurance company from Phoenix Assurance P.L.C., a unit of Sun Alliance & London Insurance P.L.C.

However, the coverage was actually placed with Phoenix Insurance Co., which BMF has since been unable to locate. Phoenix Insurance is unrelated to a Travelers Indemnity Co. unit of the same name.

The petroleum giant had sought a total of $50 million in compensatory and $100 million in punitive damages (*BI*, Aug. 26, 1985, Feb. 10, 1986).

BMF filed a notice with the court July 3 of the proposed settlement, which has been agreed to by Occidental and its captive, BMF and several of its subsidiaries, and eight of BMF's errors and omissions insurers.

The settlement is expected to be approved at a court hearing scheduled for Aug. 14, according to E. Glen Johnson, a lawyer with the Fort Worth, Texas, firm of Kelly, Appleman, Hart & Hallman, representing BMF.

The Occidental payment will not exhaust BMF's total E&O limits, sources say, and while eight insurers signed the settlement agreement, some insurers in the upper layers of the E&O program will not actually contribute to the $32 million payment.

Lawyers involved in the case would not say how much of the settlement would be paid by BMF and how much would be covered by which insurers.

BMF, the 10th-largest U.S.-based broker, "did make a contribution," Mr. Johnson said.

E&O insurers that have agreed to the settlement include Universal Security Insurance Co. of Los Angeles, now known as Topa Insurance Co., BMF's primary E&O insurer, and Employers Insurance of Wausau, the first excess insurer, lawyers say.

Other insurers that have agreed to the settlement include Republic Insurance Co. of Dallas; International Insurance Co., a Crum & Forster unit; United National Insurance Co. of Philadelphia; Transport Indemnity Co., now known as Mission American Insurance Co.; Associated International Insurance Co. of Los Angeles; and RLI Insurance Co. of Peoria, Ill.

Though Associated International participated in the E&O program, it did so in a layer above the settlement amount and will not be contributing, according to Lee Duncan, the insurer's casualty manager.

The $32 million payment will settle not only Occidental's lawsuit against BMF but also a cross-complaint for declaratory relief that the broker filed April 3 against Occidental and its captive, Piper Indemnity Co.

BMF plans to pursue its cross-complaint against Phoenix Insurance Co. and a number of other brokers and individuals involved in the Occidental placement, Mr. Johnson said.

"The plan right now is to vigorously pursue the collection of damages from other parties in the cross-complaint," he

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D&O insurer ordered to pay defense costs when incurred
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July renewals

Some bright spots seen despite tight market

July commercial property/casualty insurance renewals are suffering from the proverbial good news-bad news syndrome.

The good news: Unlike the first of the year, rates are stabilizing and there is sufficient capacity for primary general liability and all forms of property insurance, except earthquake coverage. A few pockets of competition in these lines are even appearing.

The bad news: Rates are still going up and capacity is still far short of demand for most excess liability insurance coverages and special risk lines, including professional liability, directors and officers liability and municipal liability.

These are the assessments of U.S. retail insurance brokers who are tying up loose ends for clients' July 1 renewals, the second most popular renewal date after Jan. 1.

from the united states

With some dissenting, most brokers also agree that:

- Commercial insurance buyers are controlling their insurance costs by assuming higher self-insured retentions and reducing the limits of the coverage they buy.
- It's too soon to detect any insurer rate reductions following the recent passage of state tort reforms, although capacity seems to be improving in some states that have passed reforms.
- Some insurers will write general liability insurance only on a claims-made basis for large risks that threaten to produce claims years in the future, though occurrence forms are still widely available for businesses with more short-tail liability exposures.

Generally, it's easier to find occurrence forms for primary liability layers than for excess layers, forcing some businesses to mix and match claims-made excess layers with primary occurrence policies.

- Policy renewals were still being completed after July 1 because insurers waited until the last minute to respond to submissions and brokers were still looking for capacity.
- Some insurers, particularly surplus lines insurers, are demanding minimum premium payments after coverage is bound, even if the insurance buyer decides to reject the coverage.
- Market conditions will not deteriorate any more during year-end renewals, but conditions won't greatly improve until at least 1988.

Brokers were braced for a repeat of the January renewals, universally described as the worst commercial insurance market in history (*BI*, Jan. 6). But several brokers say July 1 renewals weren't as bad.

"The renewal process was marginally better in July," said Dick Meyer, senior vp and director at Johnson & Higgins in New York, the country's third-largest broker. "But I don't see any great improvement."

The marginal improvement reflected the fact that insurers have their reinsurance for 1986 in place, unlike the Jan. 1 renewals, he explained.

"We were pleasantly surprised," said Frank A. McDougald, national marketing director for Fred S. James & Co. Inc. in New York, the fifth-largest U.S. broker.

Insurers writing primary liability coverage were a little more receptive than in immediate past renewal periods, Mr. McDougald said, both in willingness to quote and in stabilizing pricing. He, too, credited the completion of reinsurance treaties for improved conditions.

Michael K. White, president and chief executive officer

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New casualty capacity limited in London

By STACY SHAPIRO

U.S. insurance buyers looking for new casualty insurance capacity aren't finding it in London.

Very little new U.S. liability business was placed in London during July 1 renewals, London brokers report, since the two leading underwriters of North American casualty coverage wrote very little new U.S. business.

But brokers also note that fewer U.S. buyers looked to London for casualty capacity this year compared with year-end 1985 renewals, when Americans and their brokers flooded the London market.

"U.S. clients are not coming to London for the low-level casualty programs if they have not been here before," said Simon Harrap, managing director of Stewart Wrightson North America Group Ltd.

from london

"If a client cannot get the coverage domestically, there is no point coming here. I don't see a large shuffle to London happening" to look for casualty capacity, said Mr. Harrap.

While existing U.S. casualty coverage was renewed by London underwriters, renewal coverage was written on claims-made forms which deterred some buyers from buying coverage in London. And differences between the claims-made forms used by London underwriters has limited the capacity available for some U.S. buyers.

Rates for excess liability coverage generally increased 10% to 60% during July 1 renewals, but rates for some types of libability coverage, like directors and officers liability, jumped up to 700%.

While the liability insurance market remains tight, London brokers, like their U.S. counterparts, report that competition is beginning to re-emerge for some property risks.

Several London brokers say U.S. underwriters undercut renewal rates quoted by the London insurers, even though those renewal quotes were sometimes the same as last year's rates.

This competition centered on highly protected risks, which are considered the best property risks. Rates for other property risks increased up to 20% and capacity for some property exposures—like earthquake coverage—has been reduced further, brokers say.

Brokers also report that turmoil did not reign in the London market during July 1 renewals, unlike year-end 1985 renewals when some brokers waited for days to see underwriters (*BI*, Jan. 6).

Brokers started early searching for quotes for July 1 renewals, and most coverage was bound by the renewal date. In contrast, many year-end renewals were not completed until January or February.

"Most July 1 renewals have been placed," said Peter Wilson, managing director for H.S. Weavers (Underwriting) Agencies Ltd., one of the two major London markets for U.S. excess casualty business. "We renewed all the July business we expected to renew."

"Compared with Jan. 1 renewals, brokers knew what to expect," added John Pryke, Lloyd's property underwriter for syndicates managed by Cuthbert Heath Underwriting Ltd. "They were well-primed for what to expect, so these renewals went a lot smoother."

But, U.S. buyers could not find much capacity for casualty business not previously written in London, brokers report.

Weavers, which writes on behalf of seven insurers, earlier this year stopped writing new North American casualty buisness to concentrate on renewals (*BI*, April 7).

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update

Judge upholds Posgate ban

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syndicates. Glover had proposed that Mr. Posgate be named a director of the company and the active underwriter of Syndicates 162/80.

The council had refused the application on the grounds that Mr. Posgate was "unsuitable" to be a Lloyd's underwriter. The council last year recommended that Mr. Posgate be expelled for secretly owning shares in a Swiss bank that was purchased with funds misappropriated from Lloyd's syndicates. But, on appeal, Lord Wilberforce reduced the sentence to two six-month suspensions to be served concurrently. The suspensions expired Jan. 8 (*BI*, June 30).

In last week's decision, Lord Wilberforce said, "It was the duty of the Council in the exercise of its responsibility to maintain the standards of the market and to decide whether, on the material before it, Mr. Posgate was a fit and proper person to be a director and active underwriter."

Peat, Marwick settles with FDIC

NEW YORK—Peat, Marwick, Mitchell & Co. likely will not have to contribute to the settlement of a $90 million suit brought against it by the Federal Deposit Insurance Corp. after the 1982 collapse of Penn Square Bank of Oklahoma City.

The settlement, for less than $20 million, will be covered entirely by Peat, Marwick's professional liability coverage written by Lloyd's of London syndicates, says Victor M. Earle, an attorney for Peat, Marwick.

"It would be a correct inference" that "all or virtually all" of the settlement would be paid by the coverage, he said.

Peat, Marwick probably won't even have to pay the deductible, he said, because under terms of the insurance policy, legal fees are charged against the deductible, and the fees from the years-long legal battle had "nearly exhausted" the deductible.

The accounting firm had issued a clean opinion of Penn Square after a 1981 audit. In its suit, the FDIC had charged that the audit failed to recognize the bank's deepening financial problems and that partners in the accounting firm's Oklahoma City office had received preferential loan treatment from Penn Square.

Peat, Marwick faces a trial related to the bank's collapse on Aug. 19 in Oklahoma City. Any settlement resulting from that trial, a consolidated suit brought by a credit union and a money broker, also would be covered by the E&O coverage, Mr. Earle said.

The firm will not disclose the exact amount of the FDIC settlement until after the close of the Oklahoma trial to avoid influencing the jury, Mr. Earle explained.

New motion filed in Mentor suit

NEW ORLEANS—Attorneys for former Mentor Insurance Co. President Douglas Higley, one of 11 defendants named in a fraud suit by Mentor's liquidators, are asking that the liquidators' law firm be disqualified from the case.

In a motion filed July 1 in the U.S. District Court for the Eastern District of Louisiana, the Mentor liquidators' New York-based law firm, Lord, Day & Lord, is accused of violating the Code of Professional Responsibility for Attorneys.

The motion claims that attorneys with the firm interviewed Mr. Higley for up to three hours on Feb. 5, a month before the suit was filed, without telling him that any lawsuit was being contemplated by the liquidators or that he was a potential defendant. It says Lord, Day & Lord's Michael J. Murphy and Laurie E. Foster, who conducted the interview, gave Mr. Higley no reason to suspect that they represented interests adverse to his own.

Neither Mr. Murphy nor Ms. Foster ever suggested to Mr. Higley that he should retain legal counsel prior to discussing details of his relationship with Mentor, the motion says.

The liquidators' suit charges that Mr. Higley, Mentor's parent—Ocean Drilling & Exploration Co.—and eight ODECO directors devised a scheme to defraud Mentor and its policyholders (*BI*, March 24; June 16). The insurer was judged insolvent and forced into liquidation by the Bermuda government in June 1985.

In seeking Lord, Day's disqualification, Mr. Higley's lawyers, Breazeale, Sachse & Wilson of Baton Rouge, La., also ask the court to bar the liquidators from using "in any way" the notes of the interview with Mr. Higley.

Briefly noted

Baltimore-based **CSX Corp.** says it is self-insured for any claims arising from the derailment of 15 railroad tank cars near Miamisburg, Ohio, last week. The accident caused the release of a cloud of toxic vapor that injured 143 people and forced the evacuation of 30,000 residents. . . .Pennsylvania is the latest state to approve the Insurance Services Office's **claims-made commercial general liability form**. ISO says 41 states have approved the form, but several key states—including New York and Texas—have not.

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AIG unit disputes coverage for Seafirst D&O settlement

By MEG FLETCHER

SEATTLE—Seafirst Corp.'s excess directors and officers liability insurer says it will not pay a portion of a proposed settlement of a suit filed by the Seattle-based bank holding company against five former Seafirst executives.

Instead, National Union Fire Insurance Co. of Pittsburgh, Pa., is continuing to press a 16-month-old lawsuit that seeks recision of a $55 million excess D&O insurance policy it wrote for Seafirst in 1982.

National Union, an American International Group Inc. unit, alleges the bank withheld information and gave untrue guarantees when it purchased the policy.

A Seafirst official says the bank will seek to force National Union to honor its policy.

In addition, a Seafirst spokesman says the bank's primary D&O insurer, CNA Insurance Cos., has agreed to contribute to the settlement.

A CNA spokesman declined to comment.

Seafirst is currently seeking court approval of the proposed settlement of its suit against its former officers, which was filed after the bank lost about $500 million from energy-related loans in 1982 following the collapse of Penn Square Bank in Oklahoma City.

Seafirst is one of several banks, including BankAmerica Corp. and Chase Manhattan Corp., that have sued their own employees in an attempt to recover losses from D&O insurers.

Seafirst, which was acquired by BankAmerica in 1983, is asking the U.S. District Court in Seattle to approve a $110 million judgment against the officers. While the officers will agree to the judgment, they will not admit Seafirst's allegations that their negligent management caused the losses on the loans.

In return for the stipulated judgment, Seafirst agrees to limit its recovery to the approximately $70 million in remaining limits from the two D&O policies.

Seafirst also promises to defend and indemnify the five former officers in other litigation, says Stan Carlson, Seafirst's general counsel.

About $15 million in coverage remains from Seafirst's $20 million primary D&O policy, according to attorneys in the case. That policy originally was underwritten by MGIC Indemnity Corp., a former Baldwin-United Corp. unit whose book of D&O business was subsequently purchased by CNA (*BI*, Sept. 26, 1983).

CNA has paid nearly $5 million to defend the bank officers in various lawsuits, said Mr. Carlson.

While Seafirst says CNA has indicated it will pay the $15 million in remaining coverage, National Union "objected rather strenuously" to the proposed settlement, said George D'Amato, National Union's attorney and a senior partner in the New York-based law firm of D'Amato & Lynch.

Mr. D'Amato noted that National Union filed suit in March 1985 against Seafirst, subsidiary Seattle-First National Bank and several officers to rescind the $55 million D&O policy.

The policy was issued Nov. 8, 1982, to cover the period from Sept. 21, 1982, to Oct. 13, 1984, according to the suit National Union filed in U.S. District Court in Seattle. Seafirst paid a premium of $186,560 at the policy's inception.

The D&O policy was canceled by National Union on

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A.H. Robins proposes claims trust

By STEPHEN TARNOFF

RICHMOND, Va.—A.H. Robins Co. is offering to put an initial $100 million into a trust to pay Dalkon Shield claims as part of a proposal that would allow the company to emerge from bankruptcy proceedings.

Under the proposed reorganization plan, which has not yet been filed in court, the $100 million "start-up" fund will include $50 million deposited by Robins into a trust upon acceptance of the plan and $50 million to be deposited six months later, a company spokesman said last week.

In addition, the company would subsequently provide 10 additional annual payments of equal, but undetermined, amounts for Dalkon Shield claimants.

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Wausau unit stops writing excess/surplus coverage

WAUSAU, Wis.—Wausau International Underwriters, which writes excess/surplus lines coverages on behalf of its parent company, Wausau Insurance Cos., is no longer writing new or renewal business.

Wausau International, which reported gross written premiums of $121.7 million in 1985, will continue to honor any multiyear policies to which it has committed, said a Wausau Insurance spokesman.

The underwriting manager's Chicago and New York offices will be closed within the next few weeks, while operations will be consolidated in its San Francisco office during the phase-out period.

The spokesman said Wausau International—which wrote directors and officers liability, professional liability and excess liability lines—has posted "acceptable results," but would not elaborate.

Underwriting was halted, effective June 30, because renewing reinsurance treaties has become "increasingly difficult" and because the company was concerned about future reinsurance recoverables.

Uncollectible reinsurance could create additional liabilities that would affect the parent company's surplus, said the spokesman. As a result, business written by Wausau International could have "adverse effects" on evaluation of Wausau Insurance's solvency by A.M. Best Co. and the National Assn. of Insurance Commissioners.

The spokesman said also that Wausau International's business did not "significantly support" the insurance needs of its commercial insurance clients.

Wausau Insurance Cos. last year received a $250 million capital infusion from Nationwide Insurance Group after massive operating losses cut into Wausau's surplus, which raised concerns by brokers over the insurer's premium-to-surplus ratio (*BI*, Nov. 11, 1985; June 17, 1985).

Following the capital infusion, Wausau's Best's rating was upgraded to an A from deferred. The rating had been deferred in early 1985, from a B-plus in 1984, because the insurer lost $206.6 million in 1984.

Rescuers sue in Hyatt collapse

KANSAS CITY, Mo.—Five years after the collapse of two skywalks at the Hyatt Regency Hotel that killed 114 persons and injured more than 200 others, rescuers are demanding compensation for their injuries.

A class-action lawsuit was filed last month in U.S. District Court in Kansas City against developer Hallmark Cards Inc. just before the five-year statute of limitations would have barred further litigation.

Included in the proposed class are those who participated in the rescue operations after the skywalks collapsed: firefighters, paramedics, police officers, doctors, nurses and construction workers.

The lawsuit, *Jacob vs. Hallmark Cards Inc.*, claims that these individuals are entitled to compensation for emotional, psychological and physical injuries suffered in the relief efforts.

The class has not yet been certified by the court.

An attorney for Hallmark disputed the suit's contentions. "There really is no reason to believe that there are a great number of rescuers who claim injury," said John M. Townsend, an attorney with the New York law firm of Hughes Hubbard & Reed.

In addition, Mr. Townsend said, the company's defense will be based on the "fireman's rule," which bars firefighters from collecting damages from persons who cause a fire.

There is a case that is testing a ruling made on that by a firefighter against Hallmark that is before the state Supreme Court.

Hallmark has filed a motion with the district court in the Jacob case to stay the proceedings until the fireman's rule issue is decided in the state court, Mr. Townsend said.

The attorney for the plaintiffs, Robert C. Gordon, refused to discuss the case.

At the time of the skywalks collapse, Hyatt had $201 million in liability insurance from 23 insurers. Hallmark had $101 million in coverage from four insurers (BI, July 27, 1981).

Judgments and settlements from litigation brought by those injured in the collapse totaled about $120 million, which have been paid two-thirds by Hyatt's insurers and one-third by Hallmark's insurers.

errors & omissions

Beech Street Health Care Services' new regional office is at 3100 S. Gessner Road, Suite 420, Houston, Texas 77063. The location was incorrectly reported in the June 23 issue of *Business Insurance*.

PepsiCo wins D&O defense cost ruling

By STEPHEN TARNOFF

NEW YORK—An insurer must pay defense costs under directors and officers liability policies as those costs are incurred, a federal judge recently ruled.

However, when a D&O policyholder settles a suit and other non-policyholder defendants are released from the litigation, the D&O insurer has the right to try to prove that it is not responsible for the entire amount of the settlement, the judge also ruled.

These two precedent-setting rulings were issued by U.S. District Judge Charles L. Brieant June 23 in an ongoing case involving Continental Casualty Co., a unit of CNA Financial Corp. in Chicago, and PepsiCo. Inc. of Purchase, N.Y.

The judge also ruled that PepsiCo may pursue its claims of alleged violations of federal antitrust laws against the insurer based on Continental Casualty's alleged failure to deal in good faith with PepsiCo regarding the coverage. Discovery in the litigation, which demands compensatory and punitive damages, is expected to begin shortly.

Both parties to the litigation are claiming victory on the rulings so far: PepsiCo on the defense costs issue and its right to pursue its litigation against Continental Casualty, and Continental Casualty on the allocation of settlement costs issue.

Continental Casualty wrongly refused to pay defense costs on behalf of PepsiCo officers and directors as the costs were incurred in shareholder litigation, Judge Brieant ruled.

PepsiCo's officers and directors were entitled to recover the cost of defense under PepsiCo's $25 million D&O policy written by Continental Casualty, he wrote. The coverage did not depend on whether the directors and officers were later found to be "materially dishonest," he said.

"Insurance companies can no longer hide behind the oft-repeated 'we don't do that' when insureds ask for contemporaneous reimbursement of legal fees," said PepsiCo's attorney, Ronald S. Rolfe, a partner with Cravath, Swaine & Moore in New York.

However, contrary to PepsiCo's contention, the judge also ruled that it was appropriate for Continental Casualty to allocate to the various defendants the $22.1 million settlement of the consolidated suits filed against PepsiCo officers and directors, PepsiCo and its outside auditor according to the parties' degree of liability under the settlement.

Significantly, though, Judge Brieant ruled in favor of PepsiCo's alternative agrument that if the insurer could allocate settlement costs, Continental Casualty bears the burden of proving what amount of the settlement should be excluded from the policy coverage.

Continental Casualty attorney Stuart Philip Ross of the Washington firm of Ross Dixon & Masback, said, "I think it's a great victory for CNA and all directors and officers insurers."

Nevertheless, Mr. Ross said CNA will seek reconsideration of Judge Brieant's rulings on the defense cost and burden of proof issues.

The decision is at least the second to find that defense costs must paid as they are incurred under a D&O policy. Last year, a U.S. District Court in Hawaii came to a similar conclusion in *Okada vs. MGIC Indemnity Corp.* An appeal has been argued before the 9th U.S. Circuit Court of Appeals and a decision is expected soon.

However, in May, a U.S. District Court in Kentucky denied a motion for summary judgment and ruled that Fidelity & Deposit Co. of Maryland did not owe defense costs under a D&O liability insurance policy as they were incurred, but instead could await the outcome of the underlying litigation.

The PepsiCo case stemmed from multiple shareholder suits brought against PepsiCo after the company announced "accounting irregularities" in November 1982 caused by employees at several international operations who falsified accounts to show improvement in their operations.

Discovery of the falsifications caused PepsiCo to restate its consolidated earnings for 1978-1981 and the first three quarters of 1982.

Named in the shareholder suits were PepsiCo, about a dozen officers and directors and the company's auditor, Arthur Young & Co.

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Silicon Valley 'SHOPs' for PPO contracts

By DONNA DiBLASE

PALO ALTO, Calif.—Silicon Valley employers are now "shopping" for preferred provider arrangements by bargaining directly with health care providers.

Under the Shared Health Options Purchasing program, or SHOP, members of the American Electronics Assn. are negotiating preferred provider contracts without the assistance of insurers or third-party administrators.

"It's the good old American business principle—cut out the middleman," said Leslie Andrews, manager of employee benefits at Cupertino-based Apple Computer Inc.

Ms. Andrews said Apple expects to reduce its health care expenditures by 10% to 15% after it introduces new health care options this fall as a result of its negotiations.

Perhaps the most important advantage of employer-negotiated contracts is that employers are directly involved in the purchase of services, Ms. Andrews said.

"The major problem with the whole health care system is that the payer of services has not been involved in the delivery, quality or prices of health care services," she said. "By being directly involved in purchasing, we're no longer the passive, open checkbook."

Jim Phillips, director of compensation and benefits for Santa Clara-based Xidex Corp., which began offering PPO options as a result of SHOP earlier this month, agrees that one-on-one negotiations with providers should benefit employers.

"I personally do not see any value added by using a TPA or carrier to negotiate contracts. You have no control over pricing or selection of providers. You get a canned program," he said.

"Flexibility is the key here," said Mr. Phillips. "I have the flexibility to negotiate with providers not only on prices, but on other services also."

The PPO contracts negotiated under the SHOP program will be similar to a preferred provider arrangement negotiated directly by Hewlett-Packard Co. and El Camino Hospital in Mountain View, Calif., Mr. Phillips added (*BI*, June 16).

The Palo Alto-based AEA has served as a health care coalition for

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New AIA chief wants industry to be heard in Washington

By JERRY GEISEL

WASHINGTON—The new president of the American Insurance Assn. is moving AIA's senior staff to Washington to win more clout for property/casualty insurers in the nation's capital.

In response to growing federal involvement in insurance industry issues, the AIA will transfer much of its New York-based legal department and senior staff to its Washington office, says Robert E. Vagley, the new AIA president, who also will be based in Washington.

"Washington, whether we like it or not, will become an increasing focus of our attention," Mr. Vagley said.

But influencing the outcome of legislative and regulatory developments in Washington is difficult if your top officials are based in another city, he said.

"If you are disconnected from Washington and have to rely on others, your organization isn't getting the benefit of your first-hand involvement. We can be more attentive to Washington activities if we are in Washington than from New York," Mr. Vagley said.

When the AIA picked Mr. Vagley, a Washington-based attorney, to replace retiring president T. Lawrence Jones, many observers expected Mr. Vagley to remain in Washington and shift the AIA's base from New York to the nation's capitol.

As examples of growing federal interest in the insurance industry is growing, Mr. Vagley cited the two pending tax bills that could increase the industry's tax liability by billions of dollars. In addition, some legislators have proposed repealing or amending the McCarran-Ferguson Act and requiring insurers to report more financial information to the federal government.

"The level of criticism, attention and concern in Washington has increased," Mr. Vagley said, adding that he considers much of the criticism the industry has received undeserved.

"We have as much a concern about health and safety as any consumer group in Washington that I am aware of. Yet we've been painted in the same corner as intentional polluters and other tortfeasors. We don't belong there," he said.

But he concedes the property/casualty industry has a major public relations problem that is damaging its effectiveness and that requires urgent attention.

'Buyers ought to applaud our intention to play a greater role in the shape of our destiny,' says AIA President Robert Vagley.

Few doubt that Mr. Vagley has the credentials to make the AIA, whose 171 members now provide about 25% of commercial property/casualty insurance written in the United States, a more effective force in Washington and raise the organization's profile among legislators.

He spent 15 years as a Capitol Hill staffer and was chief counsel of the House Education and Labor Committee. He left the Hill in 1980 to join the Washington law firm of Preston, Thorgrimson Ellis & Holman, where he represented insurers and insurance trade groups on issues involving taxes, workers compensation, product liability and asbestos and hazardous wastes.

Mr. Vagley, 46, perhaps is best known for developing coalitions that convinced legislators in 1981 to pass legislation to overhaul the federal Black Lung Act and more recently to strip a provision from current tax overhaul legislation that would have taxed injured and

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Backers of 3 new EIL captives raring to go

By ROBERT A. FINLAYSON

LOS ANGELES—Promoters of three separate coverage alternatives to the nearly non-existent commercial market for environmental impairment liability insurance expect their groups to be operating within a year.

But, each group is facing delays due to problems ranging from lining up enough participants to finishing the engineering needed to underwrite EIL insurance.

The three groups organizing new EIL insurance facilities are:

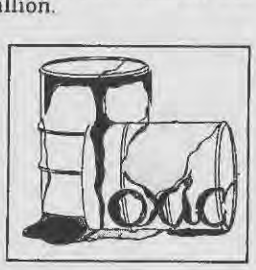
- Aralie Inc., a Pequannock, N.J., consulting firm, which says 35 manufacturing companies are ready to join its Hypercept—highly protected risk concept—EIL pool.
- The National Solid Wastes Management Assn., a trade group for waste disposal firms, which has signed up 17 companies for an EIL captive it is sponsoring.
- Intel Corp. of Santa Clara, Calif., which has signed 12 large manufacturers to participate in an EIL captive it plans to establish in Barbados.

Of the three, Aralie's Hypercept insurance pool appears the closest to issuing its first policy.

Charles P. Priesing, president of Aralie, said the consultant expects to reach its goal of at least 50 members by the end of the summer and start operating by Oct. 1.

The Hypercept insurance pool is offered to manufacturing companies and excludes waste management firms (*BI*, Feb. 3). Annual sales of current members average $100 million but range between $1 million and $500 million.

Hypercept will offer coverage on a claims-made basis with limits of $3 million per occurrence and a $6 million annual aggregate.



Aralie is awaiting the results of an actuarial study that will determine capitalization requirements for the highly protected risk concept EIL pool. Mr. Priesing, who wants to set up the pool "without the need for large contributions of capital," hopes the pool can be capitalized with premium flow.

Meanwhile, membership in NSWMA's EIL captive still falls 13 short of the 30 members the association has said is required before the captive can begin operating. However, Bruce J. Parker, NSWMA counsel, hopes to get the captive off the ground by the end of 1986.

"We're confident, and we're zealously trying to get this thing set up this year," he said.

NSWMA has been working on putting together the EIL captive, Waste Insurance Liability Ltd., for more than a year.

The captive, which will be domiciled in Vermont, will offer coverage on a claims-made basis with limits of $10 million per occurrence and a $10 million annual aggregate, with a $1 million deductible.

The captive also will offer loss prevention services to its policyholders. "We think we can do a better job (of loss prevention) than the insurance companies," Mr. Parker maintained.

Mr. Parker noted that members are discussing whether the size of a member company should be accounted for in determining required capital contributions. Currently, each member is required to contribute an amount equal to one-half of its premium for the first year of coverage.

"We want to back up (the captive) with sufficient premium and surplus so it will be a strongly capitalized company with an adequate spread of risk," Mr. Parker said. Reinsurance currently is not available, he added.

Intel Corp. also is seeking additional sponsors for its pro-

Continued on page 26

BMF settlement

Continued from page 1

said. "It's not over just because the E&O insurers have paid."

The property reinsurance placement for Piper Indemnity replaced coverage that had been canceled by First State Insurance Co. and California Union Insurance Co., according to the cross-complaint. The new coverage was divided into two parts: aggregate stop-loss reinsurance attaching after $2 million in annual losses under Piper's $1 million retention and reinsurance of $9 million excess of $1 million.

Reinsurance for the $9 million excess of $1 million layer was placed with Phoenix Insurance Co. through three British brokers: Bijou Insurance Services, based in Warlingham, a London suburb; Hill Leonard Marine Ltd. of Chelmsford; and W.G. Hill & Son (Insurance) Ltd., a Lloyd's of London broker that acted as a fronting broker for Hill Leonard.

The aggregate stop-loss coverage was supposed to have been placed on the Insurance Exchange of the Americas in Miami through Countach Intermediaries Ltd., a now-defunct New York broker, court papers say. However, Countach ultimately placed this coverage with Phoenix also.

The brokers involved in the placement obtained the purported Phoenix coverage—effective Dec. 31, 1984, and non-cancellable for three years—through an alleged underwriter named Gordon Clark at an agency called Phoenix of Switzerland in Vancouver, British Columbia.

Mr. Clark has since been identified as a pilot for Air Canada, lawyers involved in the case say.

In early February 1985, Occidental paid the total $22.5 million premium for the Phoenix reinsurance to BMF and BMF—after deducting its own commission of $1.125 million—wired the balance to two banks on instructions of the British brokers and Countach, the cross-complaint says.

The $18.525 million premium for the $9 million excess of $1 million layer was sent to a Florida bank for the account of Hill Leonard Marine Inc., a Florida subsidiary of Hill Leonard. This money—less the British brokers' commissions—was later wired to Amsterdam Rotterdam Bank N.V. in Geneva, Switzerland, for the account of Phoenix.

The $2.85 million premium for the aggregate stop-loss coverage was sent to Countach's account at Israel Discount Bank in New York.

By mid-June 1985, Occidental had received a call from a Philadelphia-based FBI agent who warned that the Phoenix coverage might be fraudulent. Subsequent investigations by Occidental and BMF failed to locate Phoenix, and Occidental filed its lawsuit on Aug. 9.

BMF later fired three officials involved in the Occidental placement: Executive Vp William A. Baxter; Senior Vp Russell Larsen; and First Vp Michael Vizio.

BMF's cross-complaint, filed in response to the Occidental suit, names:

- Phoenix Insurance Co. and Mr. Clark.
- Bijou and its managing director, R. Ian McGuire.
- W.G. Hill; David A.V. Carter, its managing director; and Ronald C. Bridle, a Hill executive.
- Hill Leonard Marine Ltd.; Philip H. Leonard, its managing director; and Martin Kennett, a Hill Leonard executive.
- Hill Leonard Marine Inc. of Florida and its president, Richard L. Fast.
- Countach and two of its executives, Gary I. Hoskie and David Skoller.
- Lawrence I. Solow, identified in the cross-complaint as an agent of Phoenix and Countach.
- Amsterdam-Rotterdam Bank.

The cross-complaint charges all the defendants except Amro Bank with negligence and all except Amro and Mr. Solow with breach of fiduciary duty.

BMF also charges Phoenix, Bijou, Countach and Mssrs. Clark, McGuire, Hoskie, Skoller and Solow with fraud, conspiracy to defraud and violations of the Racketeer Influenced and Corrupt Organizations Act.

The suit also seeks an order that Amro Bank hold in trust any of the $18.125 million in premium wired to it and still in its possession.

Although he is not named as a defendant, Bernard Hubscher, a New York lawyer, is accused in BMF's complaint of participating in the alleged conspiracy to defraud Occidental and in the RICO violations.

Mr. Hubscher, claiming to represent Phoenix Insurance Co.'s reinsurers, told BMF officials in July 1985 that the reinsurers had received a portion of the Occidental premiums and would pay claims through a Liberian shell company, Sterling Insurance Co.

Mr. Hubscher has refused to identify the reinsurers, the cross-complaint says.

Mr. Hubscher could not be reached for comment.

Mr. Fast, the only defendant to have filed an answer to the cross-complaint so far, has denied all of the charges, according to Henry Bodkin, a lawyer with the Los Angeles firm of Bodkin, McCarthy, Sargent & Smith, representing BMF.

In interviews earlier this year, Mr. Carter of W.G. Hill and Mr. Leonard of Hill Leonard both denied any wrongdoing in the Occidental placement.

Most of the defendants have been served with copies of the cross-complaint and are due to file answers later this month or in early August, according to Mr. Johnson.

Mr. Solow, however, has not been located, Mr. Johnson said. Mr. Solow—also an official of the defunct St. Eustatius Insurance Co.'s parent, Lladium Mines Corp.—also is being sought by the FBI after jumping a $1 million bond posted in connection with a federal indictment unrelated to the Occidental matter (*BI*, May 5). ■

Maryland agency suing law firm

ANNAPOLIS, Md.—A state agency is suing a Baltimore law firm for $450 million because of alleged conflicts in the firm's representation of a state savings and loan insurer.

The suit, filed July 3 in state court by the Maryland Deposit Insurance Fund Corp., names the firm of Venable, Baetjer & Howard, all of its partners as of May 1985 and some former partners.

The suit alleges that Venable, Baetjer & Howard, as attorney for Maryland Savings-Share Insurance Corp., which insured state savings and loan institutions, violated various ethical standards and committed legal malpractice.

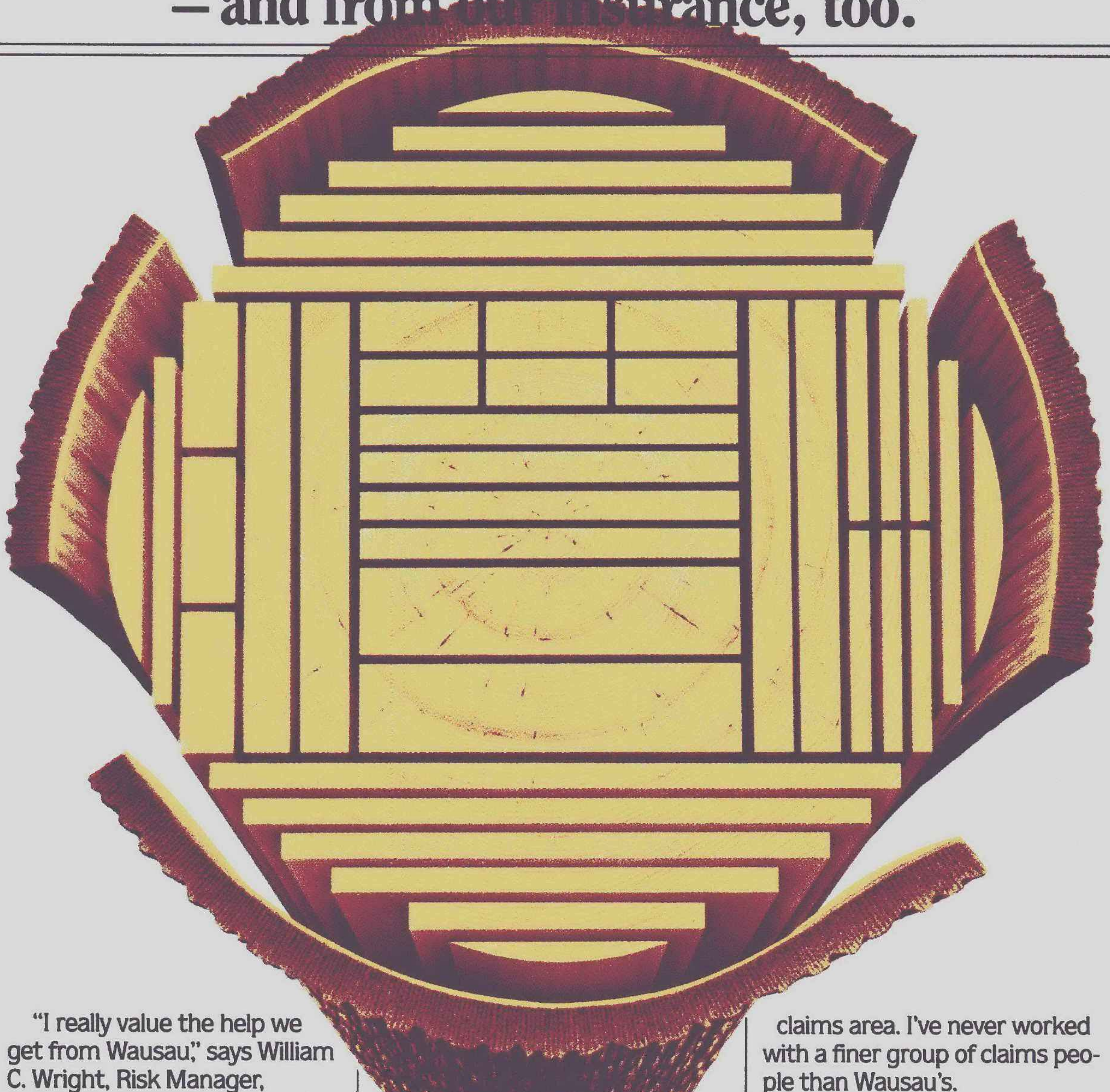
Between 1976 and May 1985, the firm also represented persons and entities whose interests directly conflicted with those of MSSIC while it knew these clients engaged in activities antagonistic to MSSIC interests, the suit says. It adds that representation of these parties contributed directly to an S&L crisis in the state that included the collapse of MSSIC-regulated institutions.

The suit seeks $350 million in compensatory damages, $100 million in punitive damages and approximately $400,000 in legal fees paid by MSSIC to the firm.

The firm in a statement called the charges "without merit."

Paul F. Strain, a partner with the firm, said the firm's professional liability coverage should be sufficient to cover any award, though he would not release details. ■

"We extract value from every log – and from our insurance, too."



"I really value the help we get from Wausau," says William C. Wright, Risk Manager, Erickson Lumber Company, prominent in the logging and sawmill business.

"We try to work closely with our carriers. In our loss-responsive insurance program, which we've had for seven years, we're basically paying our own losses up to a pretty high retention level. So safety is a direct-dollar-item for us.

"Wausau's loss-control people are as skillful as any I've ever met," says Mr. Wright, an insurance professional himself for more than 25 years. "And because of my background, I'm especially at home in the claims area. I've never worked with a finer group of claims people than Wausau's.

"Our experience modification at our logging and sawmill operations in California is down to 75% which is phenomenal. Wausau's participation helps make our loss-responsive program a good thing — and a good value. We're enthusiastic about being with Wausau."

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Pine Top unit on sales block

CHICAGO—In its effort to rehabilitate Pine Top Insurance Co., the Illinois Insurance Department is attempting to sell the insurer's New York Insurance Exchange syndicate subsidiary.

The subsidiary, Pine Top Syndicate Inc., is solvent and continues to do business on the exchange. Its 1985 policyholder surplus totaled $2.7 million, down 14.4% from $3.2 million in 1984. The syndicate wrote $3.5 million in gross premiums in 1985, down 35.2% from $5.4 million in 1984.

The Illinois department is scheduled to meet with two different potential buyers of the syndicate this week. However, the department has not established a minimum price for the syndicate, according to Jack W. Traylor, chief operating officer in the office of the special deputy liquidator for the department.

Meanwhile, the department has placed a 90-day moratorium on paying reinsurance claims against Schaumburg, Ill.—based Pine Top Insurance Co., which is a subsidiary of Greyhound Corp. of Phoenix. Reinsurance comprised the majority of Pine Top's business.

Pine Top Insurance Co. is paying claims on direct and surplus lines business.

The department placed Pine Top into rehabilitation June 23, after directing the company to cease writing new and renewal facultative and treaty reinsurance business on May 20 (*BI*, June 30).

EEOC challenges Du Pont program

PHILADELPHIA—An early retirement plan offered last year by E.I. du Pont de Nemours & Co. may have discriminated against older employees, the Equal Employment Opportunity Commission says.

The EEOC last week sent a preliminary notice to the Wilmington, Del.-based company calling for a meeting to discuss the plan and compliance with the federal Age Discrimination in Employment Act of 1967, said Edward McCaffrey, unit supervisor of the EEOC's Philadelphia district office.

If these negotiations are unsuccessful, "the EEOC has the authority to request litigation in the federal district court," he said.

Some 11,500 of the 110,000 eligible employees accepted the offer, which was made in January 1985, a Du Pont spokeswoman said.

Under the plan, the company credited employees with five additional years of age and service in calculating their benefits under a defined benefit pension plan, she explained. However, employees could not be credited with more than 70 years of age or 40 years of service.

Therefore, 1,300 employees who were older than 65 or who had more than 35 years of service could not receive all five years of credits offered, she said. The company's mandatory retirement age is 70.

"We are very surprised, primarily because our plan was voluntary," she said. "The next step is to meet with the EEOC to discuss the plan. We would anticipate that our program was entirely fair, as we were trying to reduce staff without layoffs," she added.

A meeting between the EEOC and Du Pont has not yet been set. ■

Robins' claims trust

Continued from page 2

The trust fund would be administered by three court-appointed directors, who would review individual claims and set compensation the spokesman said. The directors would serve staggered three-year terms.

Plaintiffs dissatisfied with their recoveries would have access to alternative dispute resolution procedures. They also would maintain the right to bring cases to court.

The Robins spokesman emphasized, however, that the plan was incomplete, due in part to the uncertainty of how much money will be required for the fund and how many pending Dalkon Shield claims will need to be paid.

The company has received about 326,000 notices of potential claims from women who contend they suffered injuries from using the intrauterine device.

The spokesman said it is uncertain how many claimants will be compensated, commenting that some claimants assert injuries from IUDs other than the Dalkon Shield, some of the alleged injuries are not related to the device and some claimants contend they were injured years before the Dalkon Shield was put on the market.

In addition, there are duplicate claims, the spokesman said.

A mediator has been appointed by the court and is meeting with the company and creditor committees to resolve various issues, including estimating and liquidating the Dalkon Shield claims, the spokesman noted.

Any reorganization plan must be approved by various creditor committees, including the committee of Dalkon Shield claimants, and by the federal judge presiding over the reorganization.

A Robins bankruptcy attorney said last week that the proposal has been circulated to the various committees, and the U.S. trustee in the proceedings. "We are in the process of negotiating," said Dennis Drebsky with the New York firm of Skadden, Arps, Slate, Meagher & Flom.

The proposed plan, he said, is a basis for negotiation. "Nothing is written in stone," he said.

"Based on the rhetoric so far, we've got a long way to go to get an acceptable plan," a company spokesman said. "We are attempting to negotiate, but negotiating is a two-way street."

However, an attorney for Dalkon Shield claimants called the proposal a 'fairy tale concocted by the company and its attorneys to make Robins feel good.'

"The plan is not a realistic method for meeting their obligations," said Murray Drabkin with the New York firm of Cadwalader, Wickersham & Taft, pointing out the money provided under the proposal is far below even conservative estimates of what it would take to compensate valid Dalkon Shield claimants.

Mr. Drabkin said a conservative estimate of Robins' liability is $5 billion if only 25% of the current 326,000 claimants are compensated.

As of June 30, 1985, Robins had paid $373.3 million to settle 9,230 Dalkon Shield cases and spent $107.3 million on legal fees and other costs associated with the cases.

Robins prepared its reorganization proposal in light of a June 30 deadline by which it had to file a plan with the U.S. District Court, the company spokesman said. However, that deadline has been extended to Sept. 30.

U.S. Bankruptcy Judge Robert Mehrige asked Robins to share the contents of the proposed plan with the other committee members in an effort to enhance negotiations.

Robins filed for reorganization under Chapter 11 of the Federal Bankruptcy Act last August, citing the overwhelming number of Dalkon Shield claims. The company had less than $50 million in liability insurance remaining at the time (*BI*, Aug. 26, 1985). ■

Seafirst D&O dispute

Continued from page 2

Sept. 3, 1983, shortly before an additional $176,000 premium was due, the suit says.

National Union is seeking declaratory relief and to have the contract rescinded or changed, but no specific damages.

Seafirst bought the policy after Penn Square bank failed and Seafirst had announced the creation of a $125 million special reserve to cover losses on its energy loans, primarily related to Penn Square, National Union's complaint said.

"In applying for the excess policy Seafirst warranted that 'no director or officer was aware of any claim, and pending claim, or threatened claim' and that the $125 million special reserve was sufficient to cover all expected energy loan losses," the complaint says.

"After initially complying with its obligations under the excess policy, Seafirst decided to pursue claims against its own directors and officers which it had previously warranted to National Union did not exist and determined to seek a full insurance recovery by demanding that the defendants and National Union pay the policy limits," the complaint says.

"Seafirst has refused to provide any information to National Union as to the nature of the claims, has taken positions inconsistent with positions Seafirst had previously taken in the same and related litigation and prejudiced the individual defendants' defense of the third-party claims.

"Essentially, Seafirst is advancing the proposition that National Union insured $125 million in known losses for $186,560," the complaint says.

'Essentially, Seafirst is advancing the proposition that National Union insured $125 million in known losses for $186,560,' says the National Union complaint.

Seafirst's Mr. Carlson said the bank is "confident" that it will prevail in its dispute with National Union.

In addition, Mr. Carlson said Seafirst is not seeking recovery under a $50 million bankers blanket bond policy because it covers only criminal or other intentional wrongdoing, which Seafirst is not alleging. He declined to provide details of that policy.

Mr. D'Amato pointed out that lawsuits similar to Seafirst's, in which banks sue their own employees in an effort to recover under their D&O policies, are the reason why banks have a hard time finding D&O insurance.

In another case arising from Penn Square's demise, insurers for Chase Manhattan agreed to pay the bank and shareholders $32.5 million to settle several suits, including a suit filed by Chase against several senior officers (*BI*, Nov. 25, 1985).

In addition, BankAmerica, Seafirst's parent, sued six officers in connection with a $95 million loss triggered by the bank's involvement with allegedly fraudulent mortgage-backed securities. That bank also sued its two D&O insurers, claiming that its $100 million in D&O coverage should respond in the case (*BI*, March 11, 1985).

In another case related to Seafirst's problem energy loans, Seafirst is suing Arthur Andersen & Co., its former auditor, alleging that audits should have warned bank officials earlier about the problems.

The case against Andersen was filed in July 1983 and is scheduled to go to trial July 21, a Seafirst statement said.

"We are prepared to defend our position that an auditor is not responsible for the business decisions made by bank management in running its operations," according to a statement from Andersen's legal department.

The statement did not comment on the firm's professional liability coverage. In 1970-71 Andersen had $50 million in professional liability coverage and in 1974-75 it had $101 million. Lloyd's underwriters were Andersen's primary insurers during those periods (*BI*, April 1, 1985).

In other litigation, Seafirst and its former officers are defendants in a class-action case filed by former Seafirst shareholders, alleging that the bank failed to disclose its true financial condition prior to the collapse of Penn Square and the announcement of large energy losses.

That action is scheduled to go to trial immediately after the Andersen trial is completed, according to Seafirst's statement. ■

Rulings stymie asbestos firms, drug company

WASHINGTON—The U.S. Supreme Court last week in two separate rulings dealt blows to product liability defendants.

In one case, the high court declined to grant petitions for review sought by two asbestos manufacturers seeking to limit amounts of punitive damages that claimants could win in asbestos litigation.

In the second case, the Supreme Court ruled 5-4 that two lawsuits brought against Cincinnati-based Merrell Dow Pharmaceuticals Inc. should be brought in state court in Ohio rather than in federal court.

Asbestos defendants Johns-Manville Sales Corp. and Raybestos Manhattan Inc. had argued that a "uniform federal rule of damages" was needed to govern punitive damage and some compensatory awards in nationwide litigation.

In a prepared statement, Manville Corp. Executive Vp G. Earl Parker acknowledged that the petition was "a long shot."

"However, the repetitive award of punitive damages in multiple claims cases is so threatening to the viability of many companies and industries that the request to be heard had to be made," Mr. Parker noted.

The plaintiffs bringing the suits against Merrell Dow were Canadian and Scottish citizens who had sued the pharmaceutical manufacturer in state court claiming that ingesting the anti-morning sickness drug Bendectin had caused birth defects. Merrell Dow sought to have the cases heard in federal court.

The high court said that the plaintiffs' allegations that Merrell Dow violated the federal Food, Drug and Cosmetic Act, did not create a federal question permitting the case to be heard in federal court.

Merrell Dow had argued that if the cases could not be heard in federal court, more than 200 Bendectin cases that previously had been included in a verdict for the manufacturer in a consolidated trial might be revived. That verdict was handed down in federal court.

However, a Merrell Dow spokesman said last week that the decision basically involved only procedural issues and that the company will now argue in state court in Ohio that the cases should be dismissed because they were brought in an inappropriate forum.

The company sought to have the cases heard in federal court because greater efficiency can be obtained in consolidating cases there, he said. The company currently faces about 400 Bendectin suits. ■

opinions

Market's future not crystal clear

BY MANY ACCOUNTS, the commercial property/casualty insurance market in the United States is showing some signs of settling down.

But, we wonder if the July 1 renewals that went more smoothly than expected were placed in the eye of the hurricane that has engulfed the commercial insurance market for the last two years (see stories, page 1). Could another fury of rate hikes and capacity crunches be unleashed at year-end when more accounts come due for renewal?

Or, maybe brokers' cautious optimism about improving market conditions expressed to *Business Insurance* reporters in the last week reflects more their increasing comfort with working in a chaotic marketplace than an actual change in the market. Perhaps, after two years of practice, brokers can confront the challenges of a difficult market with more professionalism and creative solutions to the problems it presents.

And, as several brokers told *BI* reporters, clients' expectations now are far lower than they were when insurers first began clamping down on capacity and hiking rates. The broker must feel the job is easier when fewer tempers flare among clients reacting to big rate increases or, worse still, no quotations at all.

That's not to say that brokers are getting off easy when dealing with corporate risk managers. Instead, their ability to help structure new risk retention programs to control insurance costs is being tested. Corporations want advice on larger self-insured retentions, quota-sharing in upper limits of coverage and even reducing the limits of insurance they buy.

And, perhaps most significant, new capacity is emerging as corporations create their own insurance companies, by joining industry groups or by investing in new facilities organized by brokers. Announcements of new risk-bearing facilities are made almost daily.

These developments indeed have tempered the shock and desperation that pervaded the marketplace just six months ago.

But, we caution corporations from expecting too much relief from tight commercial insurance market conditions in the coming months.

Reinsurance companies, it should be noted, are not preparing to loosen their tight grip on their capacity or to relax their rate expectations. And, as recent history revealed all too painfully, reinsurers do wield enormous influence over market conditions.

The impact of insurance and reinsurance company insolvencies to date also has not been completely felt in the form of guaranty fund assessments and uncollectable reinsurance, both of which ultimately will be paid for by insurance buyers.

And, as the National Assn. of Insurance Commissioners reported last month, more property/casualty insurers are in dangerous financial condition this year than last year, suggesting more insolvencies may occur.

Finally, while many insurers reported vastly improved financial results in the first quarter of 1986, with investment income outpacing underwriting losses for the first time since the last quarter of 1983 for 28 major commercial property/casualty insurers, there are several astute industry observers who speculate that some new profits yet will be plowed into loss reserves to cover prior years' claims.

Therefore, we suggest corporations stay prepared for the worst conditions in the commercial insurance marketplace. Then they will be ready to weather whatever highs or lows the market churns up at year-end.

letters

Risk manager's hands are tied by Florida insurers

To the editor: The dust hasn't settled on Florida's recent Tort Reform and Insurance Act (*BI*, June 16) and already some insurance companies have decided that our legislation is not only not in their best interest (the tort reform is, of course), but that it is so bad that they can't live with it (without even having tried it for awhile to see if it will work). Perhaps they can't justify the need for last year's rate increases to our insurance commissioner.

I won't say, "good-bye! Don't come back!" because we need them and we need them *now!* I will say that we should develop alternatives to traditional methods of obtaining insurance.

And maybe we won't have to put up with their claims-made policy forms.

Robert Storms
President
Florida Educational Risk Managers Assn.

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

IIE syndicate offered cover to Liberty Weekend

To the editor: It should be noted that at least a part of the insurance industry offered some capacity for Liberty Weekend (*BI*, June 30).

Unfortunately, however, the Illinois Insurance Exchange is not allowed to legally write business in New York state.

We told the broker for Liberty Weekend that we would have granted substantial capacity if we had received permission from the New York superintendent of insurance.

Richard E. Foss
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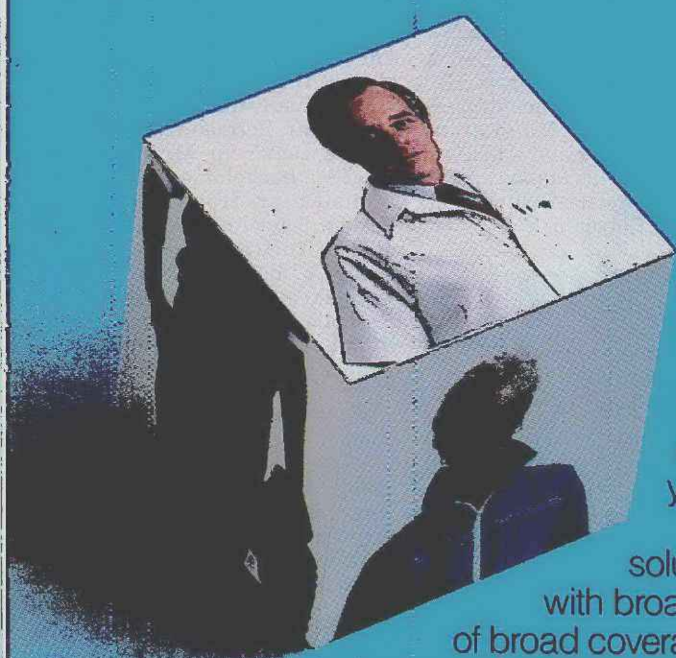
THE EMPLOYEE BENEFITS PUZZLE

The Unionmutual solution



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. . .and in Flexible Benefits.

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Chevron workers given early retirement option

Chevron Corp. is offering a voluntary early retirement program to reduce its workforce.

The program, which is the result of a corporate restructuring plan, has been offered to employees who have at least 10 years of service, a company spokeswoman said.

The drop in oil prices and a 1984 merger between Chevron and Gulf Oil Corp., have forced the company to cut its workforce, she explained.

Letters explaining the early retirement offer were sent last week to about 4,500 Chevron employees and 3,000 so-called contract employees, which include temporary workers or those who are not on Chevron's regular payroll, she said. Employees have until July 25 to accept the offer.

benefit beat

Under the offer, employees will be credited with an additional four years of service and four years of age under the company's defined benefit pension plan.

However, all employees who elect early retirement will be guaranteed the same benefits they would receive at age 62, the company's normal retirement age.

In addition to the age and service credits, employees who accept the offer will become fully vested in the company's profit-sharing plan and receive medical coverage for up to 12 months after they leave the company, she said.

Under the company's self-funded medical plan, employees pay a $150 individual deductible and a $450 family deductible. They also pay 20% of the first $7,500 of expenses, up to a maximum out-of-pocket expense of $1,650 for individual coverage and $3,450 for family coverage.

The medical plan has a lifetime coverage limit of $1 million. New York-based Metropolitan Life Insurance Co. administers claims.

California employees pay $21.22 monthly for individual medical coverage, $55.52 for coverage for an employee and one dependent and $62.28 for full family coverage. All other Chevron employees pay $14.54 monthly for individual coverage, $37.52 for coverage for an employee and one dependent and $38 for full family coverage.

While the majority of the workforce reductions should be achieved through the voluntary program, the spokeswoman said Chevron is considering layoffs to meet its goals. Laid-off employees will receive medical benefits for up to 12 months.

The staff reductions are expected to be completed by Nov. 30.

AT&T, union OK pact

A tentative agreement between New York-based American Telephone & Telegraph Co. and the Communication Workers of America will improve pension and health benefits for 155,000 union members if ratified, a company spokeswoman said.

Also under the proposal, AT&T will establish a 401(k) program for employees belonging to CWA.

Under the agreement, union members will receive an 8% increase in pension benefits from the company's defined benefit pension plan over the next two years—4% this year and another 4% in 1988.

While benefit plans and insurers vary among AT&T subsidiaries, companywide changes include:

• Employees will be given the option to purchase up to four times the company-provided value of life insurance beginning Jan. 1, 1987. Current life insurance is equal to annual salaries, and employees cannot buy additional coverage.

• Beginning Jan. 1, 1987, the company's medical plans will include coverage for treatment in extended-care facilities, services provided by home health care agencies and the use of birthing centers.

• The annual dental plan maximum will be increased to $1,000 from $750, effective Jan. 1, 1988.

The maximum pretax deferral under the 401(k) plan varies according to employees' salaries, and AT&T will match employees' savings at a rate of 50%.

The agreement is pending an Aug. 4 ratification vote.

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Two reinsurance brokers name presidents

comings & goings: industry

Richard E. Stone will become president of Willcox Inc. Reinsurance Intermediaries, the joint-venture of Johnson & Higgins and Willis Faber P.L.C., and will open a new Boston office for the brokerage this month.

Mr. Stone resigned earlier this year from the former L.W. Biegler Inc.—now Crum & Forster Managers Corp.—in Chicago, where he had been chairman. He joined Biegler in 1984, after leaving Boston-based First State Insurance Co. and its underwriting manager, Cameron & Colby, where he had been president.

At Willcox, Mr. Stone succeeds **Willis T. King**, who has been named chairman of Willcox and continues as chief executive officer of the New York-based reinsurance broker.

Kenneth A. Hecken, former chairman of Willcox, recently returned to J&H as an executive vp.

Joining Mr. Stone in Boston as an exclusive consultant will be **Graves D. Hewitt**, who recently retired as chief executive officer of Cameron & Colby, where he had worked with Mr. Stone.

Willcox is the seventh-largest U.S. reinsurance brokerage, based on estimated 1984 gross revenues of $18 million to $20 million (*BI*, Nov. 11, 1985).

Meanwhile, G.L. Hodson & Son Inc. has announced the promotion of **Ronald J. Taylor** to president and chief executive officer on Sept. 1. Mr. Taylor is now executive vp of the New Hyde Park, N.Y.-based reinsurance brokerage unit of Corroon & Black Corp.

Mr. Taylor succeeds **Thomas M. Hearn**, who becomes vice chairman of the board.

Also promoted was **Duane E. Hitz** to chief operating officer from executive vp.

G.L. Hodson & Son Inc. is the fifth-largest U.S. reinsurance broker, based on 1984 gross revenues of $25 million.

And, at reinsurance brokers Intermediaries of America Inc. of New York, a subsidiary of Sodarcan Group, **William L. Healy** was named vp. Mr. Healy will concentrate on casualty business and assist in developing specialty products for the Boston branch.

Insurers

Thomas J. Skutt elected chairman and chief executive officer of Mutual of Omaha Insurance Co. and subsidiary United of Omaha Life Insurance Co., both in Omaha, Neb. Mr. Skutt previously was first vice chairman and chief executive officer.

Mr. Horner

Kenneth D. Horner named president of branch operations and **Larry Becker** appointed vp of branch operations for North Pacific Insurance Co. of Portland, Ore. Mr. Horner previously was executive vp/chief operating officer of NPIC. Mr. Becker previously was administrator of the Portland Metro Brach of NPIC. He now will be responsible for branches in Oregon, Washington and Idaho.

Mr. Becker

Agents/brokers

John Stancik was named vp of risk management for broker Arthur J. Gallagher & Co. in Rolling Meadows, Ill. He comes to the position from New York, where he was an area president for Gallagher's branch opeations there.

Mr. Stancik fills the position vacated in April when **Donald J. Krutek** resigned. In his new role, Mr. Stancik will be responsible for Gallagher's national risk management sales and proprietary product development.

Also at Gallagher, **James W. Durkin Jr.** named vp. Mr. Durkin will be responsible for the employee benefits division, including sales and service functions.

Other suppliers

Henry M. Booke appointed vice chairman of Booke & Co. of Winston-Salem, N.C., a benefit consulting and actuarial firm. Mr. Booke continues as manager of the firm's defined contributions administrative division.

David C. Kolton named executive vp of National Group Administrators, a Phoenix, Ariz.-based third-party group insurance administrator. NGA ia a subsidiary of Dun & Bradstreet Plan Services, a division of The Dun & Bradstreet Corp. Mr. Kolton previously was vp of administration.

Steven W. Fargason elected to the newly created post of vice chairman of A.S. Hansen Inc. of Deerfield, Ill. The position was created as part of the company's management succession plan, under which Mr. Fargason will assume the duties of chief executive officer in June 1987. Mr. Fargason previously was a senior vp.

Daniel W. O'Gorman named to head the Phoenix, Ariz., office of William M. Mercer-Meidinger Inc. He will coordinate employee benefit, compensation and human resource consulting. ■

Jury awards $2.5 million in asbestos suit

By STEPHEN TARNOFF

Attorneys believe the unusually large award was because of estimates that Mr. Menne's life would be shortened by 10 to 15 years. His income, potential earnings and medical expenses were not major factors, attorneys say.

WICHITA, Kan.—In one of the largest awards for compensatory damages in an asbestos injury case, a federal court jury says four defendants will have to pay $2.5 million to a 68-year-old former janitor who is suffering from asbestos-related cancer.

The verdict in the first asbestos case tried in Kansas went to Donald Menne, whose last job paid him $6,000 per year and whose medical expenses have been approximately $20,000 to date.

The verdict was awarded against Raymark Industries Inc., Eagle-Picher Industries Inc., Fibreboard Corp. and Celotex Corp.

Owens-Illinois Inc. and Keene Corp. were found not liable in the trial, which ended last month.

The defendants rejected a settlement offer of $250,000 prior to trial and never offered more than $175,000, according to one of Mr. Menne's attorneys, Paul Hulsey, with the Topeka firm of Bryan, Lykins, Hejtmanek, Hulsey & Wulz.

The verdict was solely for compensatory damages and did not include punitive damages, which are prohibited under Nebraska law, which was applied in the case and is where Mr. Menne resides.

Mr. Menne filed the suit in Kansas because the case could get to trial quicker under shortened discovery procedures, Mr. Hulsey said.

Compensatory damages are awarded to an injured party for the injury sustained to make good or replace the loss caused by the wrong or injury. Often taken into consideration are loss of wages, future earnings, medical expenses, the individual's pain and suffering and loss of companionship with a spouse.

Mr. Menne, who has had a lung removed, suffers from mesothelioma, an invariably fatal form of cancer of the lining of the lung. Most who contract the disease die within two years.

However, in some cases individuals suffering from the disease have survived years longer.

Attorneys said they believe the unusually large award was because of estimates that Mr. Menne's life would be shortened by 10 to 15 years. Mr. Menne's income, potential earnings and medical expenses were not major factors, plaintiffs' attorneys said.

Mr. Menne and his wife worked all their lives so that they could enjoy retirement together, said Mr. Hulsey. Noting the medical estimates that Mr. Menne's life would be shortened by more than 10 years, he said, "I tried the case on a theory on what those years are worth.

"This is not a crazy jury in Wichita gone wild or an abuse of the tort system," he emphasized, adding that he did not ask for a specific dollar amount in the suit.

Another attorney for Mr. Menne, Thomas Hart, with the Barnwell, S.C., firm of Blatt & Fales, said that Mr. Menne has suffered a great deal of pain for the past three years, has undergone biopsies and operations and that his medical costs will likely climb substantially.

"It was just a case of a man suffering considerably who had a lot taken away from him," he said.

Raymark attorney David Larson agreed that the size of the award was probably due to the jury's sympathy for Mr. Menne's condition and its belief that he would not survive much longer.

"I feel it created a very, very sympathetic situation," said Mr. Larson of the Kansas City, Mo., firm of Morris, Larson, King, & Stamper.

One of the defendants' contentions, however, was that Mr. Menne is not suffering from mesothelioma but rather a benign non-fatal lung condition.

The defendants have filed a motion for a new trial.

Eagle-Picher, Fibreboard and Celotex are being defended jointly under the Wellington Agreement, an agreement between producers and insurers that provides participating manufacturers a defense in asbestos litigation and also broad coverage for indemnifying asbestos claims.

Raymark is not a signer of the Wellington Agreement. As of this spring it was receiving funding for asbestos claims by its first layer excess insurers. Recently, an Illinois Appellate Court limited the defense coverage available to Raymark but affirmed a Cook County Circuit Court decision granting broad coverage for indemnification (*BI*, June 2).

Mr. Menne alleged that he was exposed to asbestos from 1941 to 1948 while he was employed at the Puget Sound Naval Shipyard in Washington.

He stopped working altogether 18 months ago.

Earlier, Owens-Corning Fiberglas Corp. and Pittsburgh-Corning Corp. were dismissed from the litigation. ■

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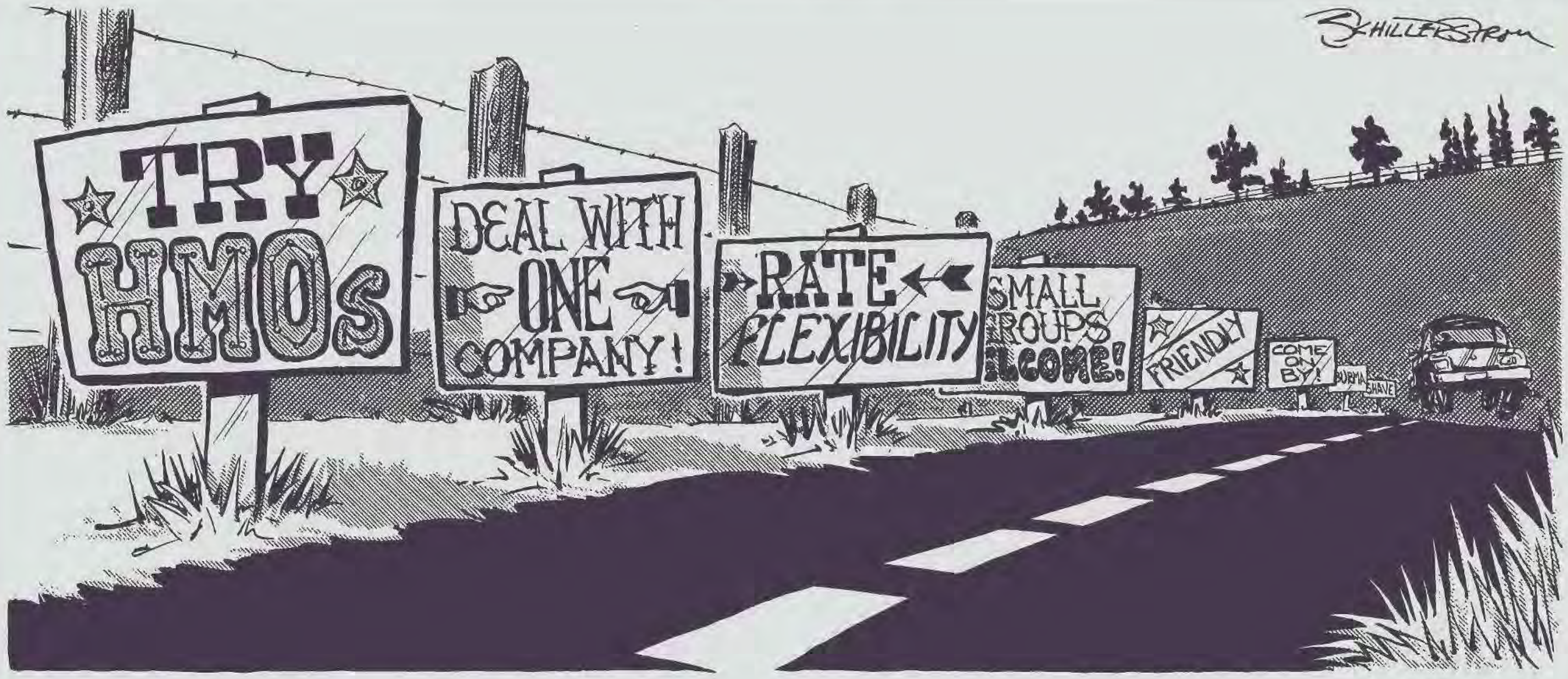

DOWN THE ROAD

HMOs adopting new strategies to increase their market share

By Donald G. Lightfoot

HEALTH MAINTENANCE organizations have been one of the principal vehicles for price competitive marketing of health care services. They have proven to be a significant tool in employers' efforts to identify appropriate, yet cost-effective, sources of health care services in order to keep benefit plan costs at acceptable levels.

Unfortunately, many health care service providers have been unwilling to assume the financial risks of HMO participation, while many employees are unwilling to limit their choice of providers to HMO physicians and services.

Even so, the last several years have witnessed dramatic growth in the use of alternative delivery systems such as HMOs and preferred provider organizations.

Enrollment in health maintenance organizations reached record levels in 1985, with an 84% increase over the last four years, according to a 1985 survey by InterStudy, an Excelsior, Minn.-based HMO research organization.

HMOs have received considerable support from many employers and employees due to their coverage of most medical care at 100% and their lower operating costs. Unfortunately, HMOs have not been completely acceptable to health care providers as a marketing tool, nor have they won consistent acceptance from employers and employees seeking cost-effective health care options. In part, PPOs have been developed to overcome the perceived limitations of HMOs.

There are, however, three primary trends emerging in HMO developmental and operational strategy that should contribute to HMOs continued growth and market share into the next decade:

- The first trend involves maximizing convenience for employers and employees.

For example, the integration of an HMO plan with an indemnity plan will increasingly be offerred through a single insurer.

Dealing with one insurer that presents various alternative delivery systems with integrated network programs will be a great administrative convenience for employers.

In addition, flexibility, accessibility and convenience are being improved for employees through an emphasis on the development of individual practice association HMO models—where employees are treated by private physicians in their own offices—rather than development of staff or group models.

- The second trend is toward more risk-sensitive pricing and adjusting community rates through a more careful assessment of certain factors in addition to those currently reviewed (*BI*, March 3).

Other factors to be considered include the retrospective claims experience of each group, the demographics of the employees in the group, the stability of the group, the economic condition of the employer and other underwriting considerations.

This trend toward greater flexibility in pricing is evidenced by the recent establishment of Community Rating by Class Guidelines by the U.S. Office of Health Maintenance Organizations, a regulatory organization for HMOs and Baltimore-based division of the Department of Health and Human Services.

These guidelines encourage the use of rating factors which reflect age, sex and industry, in addition to an increasing emphasis on multitier rating, in which premiums vary by family size and composition.

Furthermore, employer groups and HMO trade associations are proposing legislation to eliminate rigid community rating guidelines and to make plan negotiations between employers and health maintenance organizations more similar to traditional group insurance price structures.

- A third trend is the spread of HMOs to smaller groups.

Most large employer/labor groups already have a multitude of plan options and alternative delivery systems to choose from. Further growth in the large buyer market is most likely to be achieved by penetrating existing accounts to a greater extent rather than through the establishment of many new account relationships.

Consequently, many organizations will continue to implement strategies, guidelines and marketing efforts that result in underwriting smaller groups—a relatively overlooked market segment until now.

The nation's largest health care providers and insurers are currently developing broad national networks of HMOs.

These HMOs will often "complement" the indemnity plans which an employer currently purchases from the same company.

The complementary feature capitalizes on and supports the trend toward offering employers greater flexibility through the use of one supplier. The coordination of enrollment, claim adjustments, benefit charges and policy changes can all be managed by one organization.

Most importantly, reporting of utilization and claims experience for all HMO and PPO enrollment segments can be accomplished through the same representative and organization.

This relatively new strategy of marketing HMO business is consistent with meeting the market demand for accessibility and simplicity of administration.

Through development of individual practice associations and by the complementary representation of HMO and non-HMO plans by the same professional, these plans add flexibility by offering the employer a variety of benefit options.

Additionally, these changes in health maintenance organization marketing strategy present employers with new choices as well as new opportunities for cost management. They also represent new challenges.

Traditionally, employers entered into insurance arrangements that allowed free choice of health care providers without inducements that encouraged the use of efficient organizations.

This failure to incorporate incentives to use efficient providers has been a major contributor to rising health care costs.

It also has meant that employers bore no responsibility for quality of care.

As more employers select plans that steer or limit employees to select certain providers, one critical issue is their role in assuring quality of care or the adequacy of the services that these providers render.

As with any other good or service, meaningful competition requires that purchasers of health care services distinguish among providers not only on the basis of whether they are efficient, but also on the basis of service and quality.

The evolving strategies discussed here will generate renewed interest in health maintenance organizations as employers become increasingly motivated to save money or to reduce the growth of future cost increases while still providing necessary care.

Donald G. Lightfoot, CLU, is senior health care representative with AMI Group Health Services Inc. in Los Angeles.

AID Corp. forming new surplus lines unit

markets

AID Corp. is forming a new excess/surplus lines insurance subsidiary.

The Des Moines, Iowa-based insurance holding company is awaiting approval of the yet-unnamed subsidiary from the Iowa Insurance Department and has not yet decided the types of surplus lines risks it will write, according to Jim Shaffer, AID's treasurer.

The subsidiary will be capitalized at $7.5 million, he said.

"Once we are licensed to do business, we expect to underwrite in all states," Mr. Shaffer said. "The $7.5 million gives us a good deal of capacity to start out with and, as our capacity grows, we will write more insurance."

AID Corp. is the parent of Allied Mutual Insurance Co., which writes a variety of commercial property/casualty lines on an admitted basis. The new surplus lines company will not participate in Allied Mutual's reinsurance pooling arrangement with other AID units.

AIG acquisition

New York-based American International Group Inc. is acquiring Jurgovan & Blair Inc., a Potomac, Md.-based manager of health maintenance organizations.

Under the terms of the transaction, Jurgovan & Blair will receive $31 million worth of AIG common stock, an AIG spokeswoman said.

Jurgovan & Blair is a privately held firm that specializes in managed health care delivery systems, she said. Along with managing HMOs, the company also offers health care cost-containment services to employers and provides management consulting services to other HMOs, she said.

AIG expects to finalize the purchase by September, she added.

Tenneco divests

Houston-based Tenneco Inc. has agreed to sell all of its insurance operations for $1.5 billion to ICH Corp., an insurance holding company in Louisville, Ky.

The sale will include four personal lines life and health insurance underwriters and one group life and health underwriter, Philadelphia American Life Insurance Co. of Houston, said a Tenneco spokeswoman.

Philadelphia American reported 1985 premiums of $36.4 million, the spokeswoman said.

The insurance operations "returned profits of $93 million in 1985, but the ICH deal offered Tenneco the opportunity to improve its balance sheet," she said.

The companies hope to reach a definitive agreement by the end of July and close the sale by year-end, she said.

Reinsurer manager

Four insurance companies have become new investors in California Reinsurance Management Corp., says Robert C. Budge, vp of the Pasadena, Calif.-based reinsurance underwriting manager.

The new investors, for which California Reinsurance Management also writes reinsurance for, are: Compagnie Europeenne d'Assurances Industrielles of Brussels, Belgium; Federated Mutual Insurance Co. of Owatonna, Minn.; Rhein Ruckversicherung of Basel, Switzerland; and the Insurance Corp. of Singapore. These companies join eight other reinsurers as owners of the underwriting manager.

California Reinsurance Management writes on behalf of 24 reinsurers and primarily writes domestic property/casualty treaty reinsurance, Mr. Budge said.

Name changes

Three subsidiaries of **General Re Corp.** have changed their names:

- Genstar Management Co. is now known as **General Star Management Co.**
- Genstar Indemnity Co., an excess/surplus lines insurer, is now **General Star Indemnity Co.**
- The Monarch Insurance Co., which underwrites direct property and casualty insurance, is now know as **General Star National Insurance Co.**

Also, **Patriot Life Insurance Agency Inc.** has changed its name to **U.S. Patriot Life Insurance Agency Inc.** The Columbus, Ohio-based company offers group health insurance for small groups of two to 200 members. The office is located at 5900 Roche Drive, Columbus, Ohio 43229; 614-888-5845.

Mergers/acquisitions

Morgan & Associates Insurance Brokers of Thousand Oaks, Calif. has merged with **Citco Insurance Agency.**

American Brokerage Corp., a wholly owned subsidiary of Hartford, Conn.-based Phoenix Mutual Life Insurance Co., has acquired **B.C.A. Corp.**, an agency in Ardmore, Pa.

Dun & Bradstreet Plan Services has acquired **J.T. Comer & Associates Inc.**, a Charlotte, N.C.-based pension administration firm, and its wholly owned subsidiary, **Pension Benefit Services**, a pension software administration firm. Dun & Bradstreet Plan Services is a division of Dun & Bradstreet Corp. of Tampa, Fla.

The Laub Group Inc., a Milwaukee-based agency, has acquired **Rhodes Gallager**, a Madison, Wis.-based agency. Rhodes-Gallagher will be consolidated into a Laub Group branch at 2728 Coho St., Madison, Wis. 53713; 608-273-1371. ■

N.Y. panel promotes federal tort reform

around the states

NEW YORK—New York Gov. Mario Cuomo's Advisory Commission on Liability Insurance says Congress, not the states, should enact product liability reforms.

But the commission also said in its second, and final, report that if Congress fails to act, the New York Legislature should approve its own product liability reform law.

The commission in April issued its first series of recommendations, some of which were incorporated into tort reform legislation approved by the New York Legislature last month (*BI*, June 30).

One product liability recommendation made by the commission included enacting legislation limiting manufacturers' liability for failing to warn of product's danger to cases where the manufacturer knew, or reasonably should have known, of the danger involved.

Among the other recommendations made by the commission in its 237-page report were:

- Directing the state's Law Revision Commission to develop a tort claims act that would define public entities' areas of liability. The commission consists of representatives of the Legislature plus five gubernatorial nominees.
- Recommending that the current statute of limitation be lengthened so that a plaintiff has a reasonable opportunity to discover whether he or she has been injured by a product.
- To protect corporations from the "unreasonable dependence upon the vagaries of the insurance market," the commission recommends amending the state Business Corporation Act so that corporations may indemnify their directors and officers for any liability costs for which insurance may currently be purchased.

Indemnity payments in derivative actions, though, would have to be approved by a majority vote of disinterested directors or by a court.

- Enacting legislation to permit private entities to purchase property/casualty insurance on a group basis.

Among those dissenting from the commission's latest report were Maurice R. Greenberg, president and chief executive officer of American International Group Inc. He said in a statement accompanying the report that the commission "has not focused on certain key issues," including increased frequency and severity of losses, increased litigation and "expansion of legal responsibility to the point of almost developing a no-fault system."

Iowa commissioner

DES MOINES—William D. Hager, a former first deputy insurance commissioner in Iowa, took over as insurance commissioner July 1, replacing Bruce W. Foudree, who resigned.

"We're going to endeavor to provide efficient service to all publics that we serve: insurers, consumers and legislators," Mr. Hager said.

Mr. Hager, 39, previously had a private law practice in Des Moines, which included insurance law and regulatory issues.

Prior to that, his experience includes four years as general counsel to the American Academy of Actuaries in Washington and four years with the Iowa Insurance Department, first as an assistant attorney general and general counsel, then as first deputy commissioner.

Mr. Hager has a law degree from the University of Illinois in Urbana and an undergraduate degree in mathematics from the University of Northern Iowa in Cedar Falls. He is an Iowa native.

"It is clear to me that tort reform will continue to be a pressing issue here in Iowa and across the United States. It is clear that the Iowa Legislature will be called on to further address this issue," he said.

Mr. Hager was chosen for the $45,000-a-year position from a field of six candidates, said a spokesman for the governor. His appointment is subject to Senate confirmation, which is expected early next year when the Iowa Legislature reconvenes.

Fred M. Haskins, who has been serving as acting insurance commissioner since Mr. Foudree resigned in May, will return to his position as general cousel for the department (*BI*, May 19; June 2). ■

July renewals

Continued from page 1

of Alexander & Alexander Inc., the No. 2 U.S. broker, said: "July renewals in the primary market are actually less difficult to arrange than they were in January.

"There is individual underwriting being applied to a much greater extent than it was six months ago," Mr. White notes. "Six months ago, prices were going up regardless of experience. In primary casualty and property, underwriters today are really doing individualized underwriting."

But Mr. White, like others, quickly added, "That is not to say that the market is softening."

The July 1 renewal period was better than the Jan. 1 renewals and "considerably" better than last July, according to J. Patrick Gallagher, vp-operations with Rolling Meadows, Ill.,-based Arthur J. Gallagher & Co., the 11th-largest U.S. broker.

Rate increases are still the "norm," Mr. Gallagher explained, "but not of the same magnitude of a year ago.

"The insurance industry is not healthy yet, by any means, but I think you see daylight," Mr. Gallagher said.

Bernard H. Mizel, president and chief executive officer of ABI Management Inc. in San Francisco, the 23rd-largest U.S. broker, pointed out that insurers that wrote coverage last July, when conditions were tightening, for the most part now are willing to renew the policies.

"In many cases, if we can stay with the same insurance company, we've had satisfactory results," Mr. Mizel explains.

But, he added that "the market is still very, very tough."

Several smaller brokers also found July 1 renewals a bit easier to handle.

July renewals were generally "easier and smoother" and pricing was "a little better" than in January, according to Norman Wright, chief executive officer of Mahoney & Wright Insurance Agencies in Boston, the 57th-largest U.S. insurance broker.

However, others said they found July renewals to be as difficult as January's.

The July 1 renewal period was "as bad" as January, said Don Urbanciz, senior vp with Chicago-based Rollins Burdick Hunter Co., the seventh-largest U.S. broker. The only improvement was that at least in July, brokers "knew who was writing what," Mr. Urbanciz said. "It was a clearer picture for placement, not easier, but we had a better road map to follow."

"It is by and large, with (certain) exceptions, on par with January, but reflects the further escalation of pricing since January," said Thomas J. Klinedinst Sr., president of Thomas E. Wood Inc. in Cincinnati, the 72nd-largest U.S. broker.

Even in the improving property insurance market, not all policyholders were equally blessed.

"In property there is sufficient capacity, for average, normal risks," points out A&A's Mr. White.

However, "underwriting is tight" for large property risks, according to Larmon Salmon, president of the Houston-based unit of Bayly, Martin & Fay International Inc., the 10th-largest U.S. broker.

Excess limits for property risks are "tough," noted Ron Giadrofich, vp of marketing for Birmingham, Ala.-based McGriff, Seibels & Williams Inc., the 21st-largest broker. "A building with $50 million limits is hard to put together."

Excess liability coverage is "no problem for the first $5 million to $10 million," he said. Even $20 million to $25 million can be done, but "over $20 million it becomes hard to find players."

However, Steve Harter, senior vp of Financial Guardian Group Inc. in Kansas City, Mo., the 19th-largest U.S. broker, said capacity generally is adequate for property risks below $100 million.

Mr. Klinedinst of Thomas E. Wood pointed out that poor property risks "will continue to have difficulties for the foreseeable future."

Brokers cited several reasons for the improving property market.

Underwriters "finally have brought the property rating up to where the insurance market ought to be," said Mr. Klinedinst.

Mr. Urbanciz of RBH said the property market has "stabilized" with new capacity seeping in.

But, while the property insurance market is improving, property underwriters are more stringent on their demands for information concerning property risks and are placing more restrictions on the coverages, according to Fred Burns, managing partner of John L. Wortham & Son in Houston, the 17th-largest broker.

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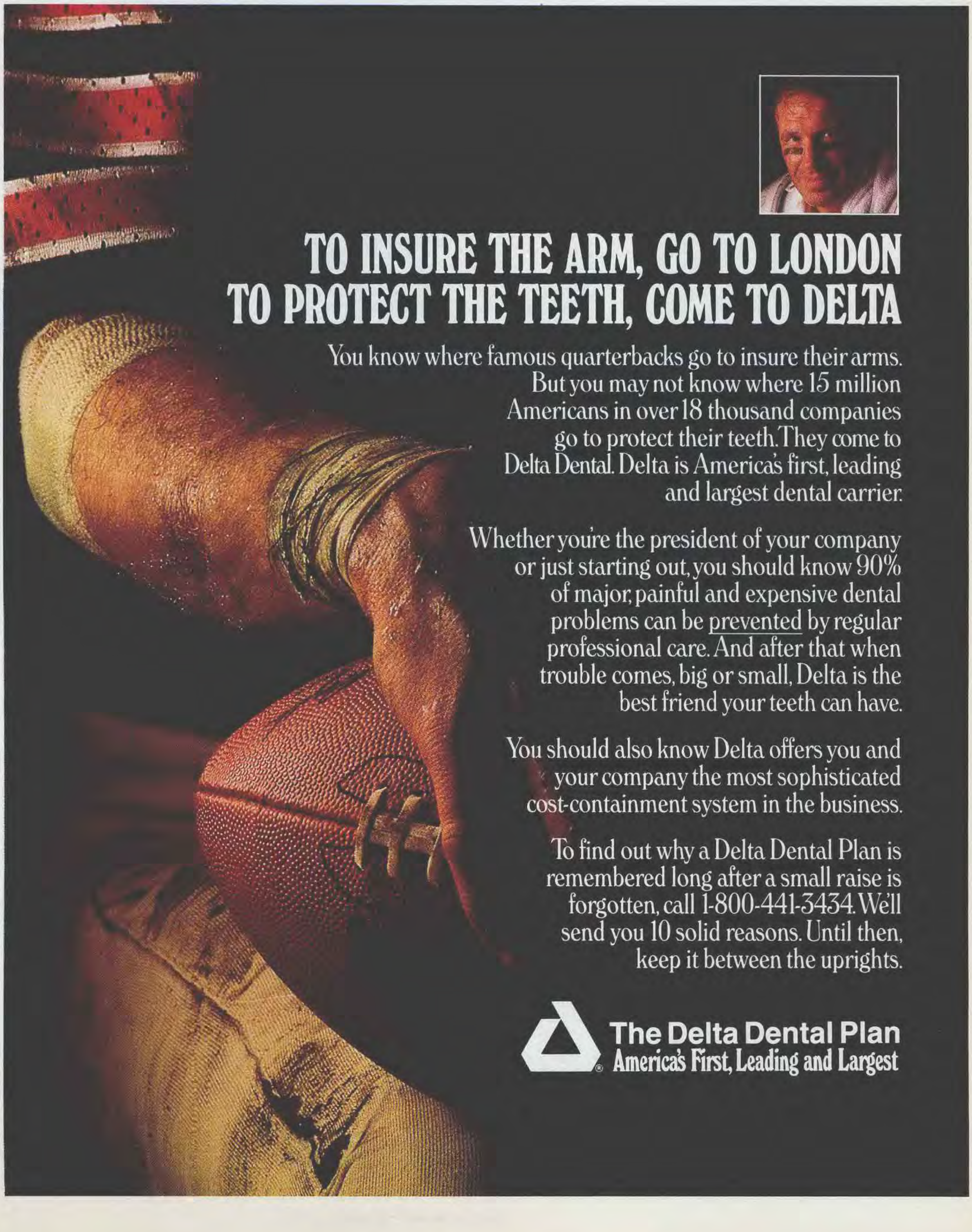

July renewals

Continued from previous page

Earthquake insurance is the biggest problem, brokers say.

"There is a little bit more quake insurance available, but not adequate limits for people who have large exposures," said William J. Richardson, executive vp of Frank B. Hall & Co. of New York, a unit of the fourth largest U.S. broker.

While agreeing there is a shortage of earthquake coverage, George Dillon, senior vp at New York-based Marsh & McLennan Inc., the world's largest broker, said major accounts can get limits up to $25 million or $50 million for all-risk coverage including earthquake coverage.

Not all brokers, however, found property risks easier to place in July than in January.

Republic Hogg Robinson Inc. in Boston, the 12th-largest U.S. broker, "hasn't found much difference" in capacity for property coverages, said Chairman Arnold Bergson, who also runs RHR's New York office.

Most brokers report that property insurance rates have stabilized, but a few cite rate hikes and a few others say they have seen some rate competition.

Hall's Mr. Richardson said, "Property is stabilizing—at high levels."

A&A's Mr. White found property insurance rates to be about the same as they were in January.

If they weren't the same, they increased 5% or 10%, said Lawrence Greenfield, president of New York-based The Kaye Group Inc., the 16th-largest U.S. broker.

Named-peril coverage for a basic industrial account, which already had a substantial rate increase last year, would cost either the same or up to 25% higher, according to Mr. Dillon of M&M. Rates per $100 of valuation, excluding earthquake coverage, could range from 3-4 cents up to 15-20 cents, depending upon the exposure, M&M officials said.

Mr. McDougald of James, however, found the pricing to be far worse than in January, with the most notable increases for earthquake coverage and difference-in-conditions policies.

In the other extreme, for general property coverages, "we are seeing some signs of rate competition, but not enough," J&H's Mr. Meyer said.

Mr. Burns of Wortham also observed there are signs of competition for "traditional, standard property lines."

But Mr. Dillon at M&M disagreed. There is no rate competition on basic named-peril coverage for property risks, he said, although he expects to see that before year-end.

For primary general liability insurance, small and large accounts are finding enough capacity and smaller rate hikes than policyholders that renewed in January.

"It's tight, tough, but it's there," according to McGriff, Seibels' Mr. Giadrofich.

"More people are willing to look at new business," said Kaye's Mr. Greenfield.

Mr. McDougald of James says insurers are willing to take a larger net line now, providing more capacity.

While other brokers merely say that capacity for primary liability risks—including auto liability insurance—is not a problem, Earl Butler, senior vp and chief operations officer with Cal-Surance Group in Torrance, Calif., the 30th-largest U.S. broker, declares: "In the primary section of business, not dealing with umbrellas or excess insurance, capacity is booming."

Speaking of medium to large accounts in the light manufacturing field and service industry—and companies with 75 to 150 employees and generating $5 million to $75 ers are eager to write the business.

"The influx of the capital infusion is really starting to impact the marketplace," Mr. Butler says.

In addition, he says, "80% of the companies are targeting the same market," creating more capacity in this area.

But, Mr. Butler stresses, he sees this increased capacity so far only on the West Coast.

Mr. Richardson of Hall agreed that "more insurers are interested in writing small commercial accounts. I think they feel now that rates are reasonably adequate, as are their reserves."

But, he said, "In New York, there has been no sign of rate competition in any lines."

Sidney A. Stewart, chairman and chief executive officer of The Crump Cos. Inc. in Memphis, Tenn., the eighth-largest U.S. broker, also sees "capacity opening up in the non-hazardous, commodity-type risks." But, he said, "We see a two-tier marketplace. In the real tough classes, capacity is still very restricted—but no more than it was in January."

And while capacity is opening up for primary general liability coverage, rate increases are not as large as they were in Janaury.

"The rate of (price) increases is slowing down considerably," says Financial Guardian's Mr. Harter. And, he said, competition has emerged for smaller, low-hazard business policies.

Typical rate increases for general package policies for midsized business risks—including property, liability and automobile coverages—are now 5% to 10%, compared with 50% to 100% a year ago, Mr. Harter said.

"I almost fainted," he said, recalling one quote on such a risk that was about 35% off manual rates.

Mr. Giadrofich of McGriff, Seibels said, "We're seeing the return of some competition in non-hazardous casualty lines," but rates aren't dropping, just "stabilizing."

Others report mostly rate increases.

Howard Miller, a senior vp with BRI Coverage Corp. in New York, the nation's 20th-largest broker, says casualty premiums are going up an average of at least 50%.

"Compared to July of a year ago, we are seeing increases of 10% to 25% on casualty business," reported Mr. Stewart of Crump.

While price increases are not as large as last year's, Robert Hilb, president of Hilb, Rogal & Hamilton Co. in Richmond, Va., the 14th-largest U.S. broker, ponders:

"You begin to wonder whether or not they are really justified. If you take an account that a year ago was increased 200% to 300%, and maybe we're only increasing 35% to 40% this year, you still wonder whether there is any justification to it."

After the major price increases of last year, "you would think they could renew at the same rates, but currently they are not," he said.

Instead, price increases for casualty lines are averaging 25% to 50% this year, he said.

Rates on primary property/casualty coverages are up around 10% to 15% compared with last year's July renewals, says Gaines Lanier, secretary and treasurer of J. Smith Lanier & Co. in West Point, Ga., the No. 56 broker.

Mr. White of A&A said "primary casualty increases are zero to modest for very good risks, and 20% to 35% for more difficult risks. They can be much greater for very difficult risks."

However, Mr. Bergson at Republic Hogg Robinson said prices were up "anywhere from 100% to 500% in the primary market."

Policyholders that are feeling a "great impact" of price increases the most are those coming off of a three-year policy, suggested Mr. Klinedinst of Thomas E. Wood.

Continued from previous page

A smaller primary casualty account that has not had a large rate increase in the past could find rates up as much as 800%, said Robert A. Kerekes, a J&H senior vp.

For large primary liability programs, there is some competition developing to write cash-flow programs—those priced based on actual losses—says M&M Senior Vp Bob Leach, based on what he has seen for six large accounts in a diversified industries division.

But while capacity and pricing is improving somewhat for primary liability insurance, capacity is still short and rates are still rising for umbrella and excess liability insurance, the brokers agree.

It is possible to place a maximum of about $50 million in excess liability capacity with the standard commercial market, according to M&M's Mr. Leach. Limits totaling up to $200 million can be reached for some risks by tapping new sources of capacity, like A.C.E. Insurance Ltd., he added.

The maximum limit for an excess liability risk depends on the risk itself, Mr. Meyer of J&H emphasized. With a lot of hard work, the broker can find $75 million to $100 million of occurrence-based coverage for an excellent risk. However, only $25 million to $50 million can be lined up for most accounts.

Mr. Hilb says excess liability insurance capacity is "tighter than it was a year ago. A guy that had a $40 million, $50 million or $80 million umbrella is lucky if he ends up with $10 or $15 million." And, sometimes programs can't be filled out, resulting in holes in some layers.

Mr. Richardson of Hall points out that "excess liability is a two-tier situation." For a non-national account that is not very large, "there is more capacity available."

However, he notes, large national accounts are still having as much difficulty as they were last year, particularly for limits up to $25 million. "Few insurers are willing to write the business, and the prices are going higher and higher."

Mr. Kerekes of J&H agreed there is very little excess liability insurance capacity below $25 million in limits.

Several brokers cheered the development of new liability insurance facilities, but noted that most of them don't attach until $25 million and two of them started issuing quotes after July 1.

While A.C.E. has been writing liability limits excess of $100 million for several months, its companion insurer, X.L. Insurance Co. Ltd., only began issuing quotes to non-sponsors earlier this month.

X.L. now offers general liability limits of about $45 million excess of at least $25 million. It hopes eventually to write $75 million excess of at least $25 million (*BI*, June 2).

X.L. has received about 150 applications from non-sponsors, and has bound almost a dozen of those, a spokesman said. Another three to four dozen quotes are outstanding.

In addition, American Excess Insurance Assn., a line slip currently supported by seven U.S. insurers, issued its first quotations last week, including quotes on late June and July 1 policies. It also has received 150 applications.

The slip, which was organized by M&M and J&H, has secured most of the needed regulatory approval of its policy form, including the approval of the New York Insurance Department, said John T. Sinnott, an M&M executive vp. And, it has commitments to provide about two-thirds, or $50 million, of the targeted $75 million excess of $25 million in capacity (*BI*, May 26).

A few brokers also noted the development of East River Insurance Group Ltd., a Bermuda holding company formed by Continental Corp. last month whose Bermuda and Barbados underwriting units will write excess casualty limits of $25 million excess of $25 million (*BI*, July 7).

These facilities will create capacity for "large-ticket items, but I think the first $25 million is just as tough as it ever has been in the last year," said Timothy Reath, executive vp of Jardine, Emett & Chandler Inc., the ninth-largest U.S. broker.

Mr. Greenfield says, however, that Kaye was able to put together $50 million in limits for a new account, without holes.

Mr. Miller adds that BRI just put together $50 million in coverage for two clients—a real estate concern and a restaurant chain—but he says it's tough getting that much coverage without going to one of the new excess liability facilities.

"We have placed $50 million and we have done it recently, but that is very much the exception using conventional markets," says Mr. White of A&A. "For heavy manufacturing and high-hazard product risks, as a general rule I do not believe they can get $50 million."

"The preponderance of risks, excluding the Fortune 500 companies, usually cap out on coverage at around $25 million. Above that level, it is very difficult to get coverage without using, say, the X.L. facility."

Mr. Burns of Wortham said it is especially difficult to find excess liability coverage for chemical companies, municipalities or others with potential long-tail risks.

There is "a little more" coverage available for "non-hazardous industries," he noted.

There is, however, sufficient liability capacity for small retail and assembly-type manufacturing risks, said Mr. Wright of Mahoney & Wright.

When excess liability insurance limits can be found, "pricing is up and the increase can be just enormous," according to Mr. White of A&A. "There is no definitive pattern to it," with increases ranging from 20% to 300%, he said.

"We're still seeing increases in the umbrella and excess pricing," Mr. Butler of Cal-Surance said. "I am seeing situations where the cost for the second $5 million is as much as for the first million.

"Our excess liability premiums are definitely still going up," said Mr. Gallagher. "But, we're not seeing tremendous 100%, 200%, 300% or 400% increases across the board, except for tougher lines."

Clients' premiums for excess liability insurance are doubling while the limits are remaining the same, said Mr. Sinnott of M&M. But compared with January rates, M&M is seeing "very much of a slowing or a depressing of the increase," he added.

Mr. Salmon of Bayly, Martin & Fay says rate increases vary widely with the type of risk, but "on average, compared to a year ago, the type of (excess casualty) risk we write, rates are up 30% to 80%."

Mr. Greenfield at The Kaye Group said a few excess liability policyholders that who had already paid substantial rate increases experienced less than 20% increases this year.

Rate increases are lower if the account has already been hit with a significant rate increase, Mr. Stewart says. An account that already has paid a large increase may see rate increases of between 15% and 35%, he added.

An account which has not already paid a substantial rate increase could see its minimum rate go from $3,000 to $30,000 per $1 million of coverage, J&H's Mr. Kerekes said.

Crump's Mr. Stewart commented, however, that he believes only very large risks are paying $30,000 per $1 million for excess insurance.

Mr. Harter of Financial Guardian says conventional risks without hazardous exposures are paying only about 10% to 15% more for excess liability coverage, the same rate increases they are paying for property and primary liability insurance.

Professional liability, municipal liability and directors and officers liability risks also remained tough to place during July renewals, brokers say.

D&O and E&O "are as difficult as ever," says Mr. Reath of Jardine, adding that the conventional insurance market has "no taste" for municipal liability risks.

Mr. Sinnott of M&M agreed that D&O and E&O continue to be hard to place because the primary commercial marketplace has not developed capacity as quickly as the non-commercial excess facilities like A.C.E. and X.L.

Mr. Sinnott added that E&O capacity depends upon the client's exposure, but tends to be very limited compared with a year ago.

E&O capacity has worsened in the past year especially for newer professions like physical therapists, said Mr. Wright of Mahoney & Wright.

"Professional indemnity is not any better and may be deteriorating more," said A&A's Mr. White. "D&O is about the same as January. Coverage is restrictive and pricing is aggressive on the high end.

"Municipalities remain a major problem," he added.

Brokers also noted that the problem of obtaining professional liability coverage is not restricted to just their clients.

"It includes our own E&O," Mr. Bergson of Republic Hogg Robinson said.

James also found it hard to place its own D&O and E&O coverage, Mr. McDougald said, noting that it obtained the E&O capacity it sought after taking a "substantial SIR." But James did not secure as much D&O as it wanted, he said.

Not all brokers, however, agree that capacity for special lines is worsening.

Mr. Harter of Financial Guardian said capacity is stabilizing and "becoming predictable." However, he agreed that coverage for accountants and big cities poses special problems.

Municipal coverage problems seem to be moderating a bit, said Mr. Wright of Mahoney & Wright.

A little more D&O capacity is appearing, said Mr. Giadrofich, with small corporations increasingly able to find from $1 million to $5 million in limits.

Large companies, however, are still finding D&O coverage hard to obtain, said Mr. Giadrofich. "But at least it's not like last year, when everybody closed up."

When capacity for special lines is available, rates and deductibles or retentions are higher, brokers noted.

Coming next week: Claims-made confusion

U.S. insurers are trying, with varying degrees of commitment, to introduce the claims-made policy form for general liability insurance.

They are succeeding most often with excess liability insurance policies, forcing policyholders to mix and match claims-made excess layers with primary occurrence policies, brokers say.

How insurance brokers and their clients are coping with the claims-made confusion will be reported next week in *Business Insurance*.

D&O, E&O and municipal liability risks are "getting stabbed far worse proportionately than general liability and auto liability," according to Mr. Klinedinst.

He noted that 400% rate increase are not uncommon, even with tenfold increases in retentions and more coverage restrictions.

D&O and E&O rates are both up 100% to 500%, Mr. Wright of Mahoney & Wright said. "When available, the pricing is secondary to most people," he said.

Despite all the problems buyers encountered during July renewals, they were more prepared for market upheavals this year than a year ago.

Buyers are "sensitized to what's going on in the marketplace and so price increases are not the shock they were last year," notes ABI's Mr. Mizel.

By now, "most buyers are used to the idea that premiums are high and are headed higher," said Mr. Richardson of Hall.

However, as Mr. Hilb says, while buyers are more conditioned to expect price increases this year, "they are still fighting like crazy—as they should—on the justification for the increases."

"A year ago, there was the understanding that the insurance industry needed to get their prices up," notes Mr. White of A&A. "A risk with good loss experience is not as willing to go along with these problems now."

To control their insurance costs, businesses are increasing deductibles and self-insured retentions and reducing limits purchased, brokers say.

"We're seeing larger deductibles being taken to try to keep the premium price down," says Mr. Butler of Cal-Surance. "And in some instances, we see some companies going bare on product liability."

Mr. Greenfield of Kaye noted that one retained a 25% quota-share of its property exposures, placing only 75% of the program, although coverage for 100% was available.

"The medium to large, not jumbo, risks are tending not to buy as much excess liability," says Mr. White.

Mr. Gallagher noted that last year, several of AJGCo.'s clients "just bought anything" in a panic, feeling naked without $100 million in coverage, but not this year.

"People who were hit a year ago with big increases often did not have time to think through the self-insurance option. They are now doing that and are ready to move ahead in that area," says Crump's Mr. Stewart.

"We see insureds voluntarily decreasing limits. . . .It all comes down to a question of affordability," agreed Mr. Klinedinst of Thomas E. Wood Inc.

Mr. Burns of Wortham agreed: "There is much more assumption of risk. It's a matter of price in some instances. Sometimes you can fill out the insurance, but the price is just not acceptable."

Mr. Burns added, "The buyers don't like it one bit, and we don't either."

Clients also are looking at alternatives including captive-related programs, notes Mr. Meyer.

"There is not any less captive activity. It has been going on for at least a year now. We haven't seen it slow down," A&A's Mr. White said.

While business has supported state tort reform, believing reforms will help control insurance costs, it's too early to see any results from reforms passed to date, brokers say.

Tort reform is "no quick fix" and has had no impact on rates or capacity in the states where it has been adopted, contends Mr. Harter of Financial Guardian. Insurers are waiting for favorable court decisions before they are convinced the reforms will work.

Mr. Meyer of J&H agrees "insurers are taking a wait-and-see attitude."

But, Mr. Richardson of Hall predicts, "we will see a little bit more response. Locally, you will see capacity increases when states enact laws that insurers feel more comfortable with, on a state-by-state basis."

"It's too early to tell, but I do believe that the companies will cap increases" as a result of tort reforms, predicted Mr. White at A&A. "The social pressure would be too great for them not to."

But, tort reform in just a few states is not going to affect rates for businesses with multistate operations, notes Mr. Leach of M&M.

California voters' approval of Proposition 51, which repealed the application of joint and several liability to non-economic damages,

Continued on page 33

the professional marketplace

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Financial:	
Chief financial officers and vice-presidents of finance	2,018
Secretaries, treasurers, controllers and other financial personnel	6,484
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	8,111
Sub-total	**22,354**
Associations	483
Government, unions and educational Institutions	1,252
Commercial Consumers	
Sub-total	**24,089**
Insurance agents and brokers	10,285
Insurance companies	6,739
Financial institutions	748
Actuaries, attorneys, adjusters, appraisers and consultants	3,808
Others allied to the field	1,308
TOTAL	**46,977**

* Source Business/Occupational breakdown of qualified circulation, Nov. 25, 1985 issue, as submitted to BPA for December 1985 BPA Publisher's Statement.

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July renewals

Continued from page 31

did little to ease the market crunch for municipal risks in the state, one broker says.

"There is really no market," said Mr. Butler of Cal-Surance, which has about 35 cities as clients.

"All the major carriers backed off" when he approached them about revitalizing the municipalities market. "They're still afraid of municipalities—even after Prop 51," he said.

However, Mr. Meyer of J&H said he heard that a few underwriters are now back writing municipal risks in California.

"On D&O, E&O and municipalities, in the states that have passed tort reform measures, we are beginning to see some easing in capacity—in states like Washington. Not a price easing, but a capacity easing," says Crump's Mr. Stewart.

Only the restrictive rate regulations in Florida that accompanied tort reform produced immediately results, and those have been negative, with insurers pulling out of the market, brokers add.

At least 11 insurers have imposed underwriting restrictions in Florida as a result of the rate regulation and tort reform legislation. Nine of those have stopped writing any new commercial property/casualty business in the state.

The Home Insurance Co. is not writing any new commercial general liability policies, President Steven Newman said in a statement. But a spokeswoman for the insurer said The Home continues to renew existing coverage.

Chubb Group's response to the legislation was to stop writing liability coverage in the state.

Insurers not writing any new commercial coverages in Florida are: Aetna Life & Casualty Co., American International Group Inc., American Reliance Insurance Co., CIGNA Corp., Continental Corp., Cincinnati Insurance Co., Transamerica Co., Travelers Corp. and U.S. Fidelity & Guaranty Corp.

"The Florida situation is very critical," said Mr. Giadrofich of McGriff, Siebels, which has offices in Orlando and Pensacola.

Despite the withdrawal of some insurers, Mr. Giadrofich said renewals in Florida were completed because insurers had already committed themselves.

Kaye's Mr. Greenfield predicts that the Florida legislation will "eliminate" the market there.

The only brokers interviewed to have completed all their July renewals earlier this month were Mahoney & Wright and Financial Guardian. Others reported varying degrees of completion, although most said the situation was better than in January.

If January was a "10," in terms of difficulty, July was a "7," said Mr. Greenfield at Kaye, which, he said earlier this month, had finished 97.5% of its July renewals.

Mr. Wright of Mahoney & Wright said insurers generally had better leadership and supplied quotations earlier while buyers required less explanation in deciding whether to accept coverage at the quoted price.

Crump's Mr. Stewart also found "underwriters gave us quotes a little earlier" than in January, which he attributed to the placement of reinsurance. Late placement of reinsurance treaties in January "held up January renewals. In January a lot of insurers' treaties were not even renewed."

But, Mr. Harter of Financial Guardian said most insurers still waited until the 11th hour to quote even if they received requests 60 or 90 days before renewal.

And Mr. Klinedinst said July 1 renewal quotations were slow in coming because some of the insurers were not able to renew expiring reinsurance treaties until mid-June.

"We find the response time of insurers is deteriorating because the viable ones are inundated with requests for quotations," he added.

Insurers have been producing quotes about two weeks before policies expire, says Mr. Salmon of BMF.

Mr. Hilb added, "The E&S business is just so backed up it's unbelievable."

But, if a broker binds coverage at the last minute for a client and the client decides to refuse it, some insurers' minimum premium requirements can create problems.

Insurers, especially surplus lines underwriters, are imposing minimum premium requirements for binding coverage because they don't want to be used as sounding boards for pricing, explains Mr. McDougald of James.

However, in four instances, James clients have refused to pay this minimum premium, even though they were informed about it ahead of time, he added.

Two of those situations have been resolved, and two are in court, he said.

Prior to January, minimum premiums had not been used in the United States for about seven years, Mr. McDougald said. But he pointed out that London always quotes with a minimum deposit, even during soft markets.

"We're seeing in a few instances where underwriters are trying to apply a minimum earned premium," Mr. Urbanciz of RBH said. In some of those cases, RBH was successful in negotiating this out of the policy, he added.

Mr. Harter said it is very common in excess/surplus markets to have at least a 25% minimum earned premium.

Most brokers don't expect much improvement in the market, if any, during January 1987 renewals, but several are more optimistic about market conditions later next year or in 1988.

Mr. White of A&A predicts that in January, "Property will be even better, primary casualty will be better and umbrellas will be as difficult as they have been all along.

"I don't anticipate, in the property or primary casualty areas, a competitive environment until the last quarter of 1987 or the first quarter of 1988," Mr. White said.

But, Mr. Giadrofich of McGriff, Seibels said he expects January 1987 "will be worse than last year."

But not everyone was so pessimistic.

"The outlook is much brighter in the next six months," said M&M's Mr. Sinnott. "The increase in excess capacity offers the prospect for buyers to obtain more capacity."

"The situation may improve in January 1987," Mr. Richardson of Hall said. "A number of factors would cause things to stabilize or even improve. Most insurers with financial difficulty have been identified, and the sound ones are getting sounder and are more encouraged to write new business." And, he said, "there are signs that reinsurers are beginning to feel that pricing is more adequate."

"I think there will be more capacity available by January, and more companies writing coverage aggressively in terms of their willingness to write rather than in their rates," predicted Mr. Stewart of Crump.

"I don't expect across-the-board blanket rate increases in January, although the real tough areas will likely have blanket increases. I also don't see rates falling in January, except on very good risks," Mr. Stewart said.

Mr. Burns of Wortham says the market in January "probably won't be worse. Insurance companies' earnings are turning around and that usually signals the end of the cycle."

But January may be too soon for a market turnaround, he said, adding: "Some segments will be slower to recover than others."

"The marketplace is as rugged today, if not more rugged than it was a year ago," said Mr. Hilb of Hilb, Rogal & Hamilton. "And, we keep saying to ourselves: 'The insurance companies made some money in the first quarter. It looks like they'll make some pretty good money in the second quarter. When are they going to let up a little? When are they going to take the knee off our chests?'

"It isn't today," he added, answering his own question. ▪

London market

Continued from page 1

Brokers last week said that Mr. Wilson has indicated that he will again begin to write some new U.S. casualty business, but the decision came too late for July 1 renewals.

Mr. Wilson could not be reached for comment last week, but earlier he said: "We will in time be writing new business. When we do, we will be considering very carefully what kind of risks we want to write."

"In new business, without Weavers, there has been a problem," pointed out Douglas Laithwaite, director of Clarkson Puckle (North America) Ltd. "Brokers understand that Weavers will go back to underwriting new business, but Weavers has been sorely missed.

"Anyone who says Weavers has not been missed has found the market we have all been looking for," he said.

The other leading U.S. casualty underwriter in London, Lloyd's underwriter Robin A. Jackson of Merrett Syndicates Ltd., also has cut back on writing new North American casualty business.

About 90% of Mr. Jackson's syndicates' premium volume this year has been generated from renewal business, he said, adding that his syndicates are approaching their premium limits. Remaining capacity will be used to renew existing business, he said.

While another Merrett underwriter, John Fenn, continues to write some new U.S. casualty business, Lloyd's syndicates in general are reluctant to write new business because underwriters fear they will exceed their premium limits and not be able to complete renewals.

"I personally think that we are looking at January 1987 before new business will be written in the London market," said Martin H. Howell, managing director of the casualty division at Price Forbes Ltd., a Sedgwick Group P.L.C. unit.

London brokers are having luck placing some new U.S. liability business with London marine underwriters or with markets in other nations.

The London marine market is more receptive to writing non-marine liability risks because of the oil and shipping industry slump.

The marine market can offer up to $150 million in capacity to non-marine liability risks, but only if it can be proven that 80% of the risk is marine-related, brokers say.

"We now have a number of clients where we insure the liability of oil tanks on land and the onshore pipelines, along with the offshore risks," said one Lloyd's broker. "The marine market up till now has been involved in pure marine liabilities, but now they are writing some non-marine liabilities."

"You must prove that a certain amount, I think 80%, is marine, though," adds Brian Hibbert, chairman of Bowring Non-Marine Insurance Brokers Ltd. "You can't prove that with a trucking risk. But you can find $150 million in the marine market if the risk qualifies."

Some underwriters also are using markets outside of the United Kingdom to place new U.S. liability business.

Dick Drain, chairman of the North American casualty non-marine division of Alexander Howden Ltd., says Howden has placed three Fortune 100 casualty accounts with a London lead and worldwide participation following. However, he would not identify the markets nor say how much capacity he found.

While it is difficult to place new U.S. casualty business with London underwriters, existing coverage is being renewed—but only on claims-made forms.

"We have had 22 casualty renewals now, and 19 of those have been placed," said Mr. Drain. "Of the remaining, some chose not to purchase a claims-made form and others may self-assume their coverage."

"Some American brokers' clients are scared to go claims-made, so the London market as a whole has lost U.S. casualty business because American brokers' clients want to stay on an occurrence form for as long as possible," added Price Forbes' Mr. Howell.

Both Weavers and Lloyd's last year adopted two different claims-made liability forms for U.S. business to replace the London occurrence form used since 1971. The Lloyd's form is more restrictive than the Weavers form, especially for coverage for long-latent injury claims (*BI*, Nov. 25, 1985).

The differences in the two forms is limiting the amount of liability capacity in the London market.

Early last year, when both Weavers and Lloyd's used the same occurrence form, U.S. buyers were able to place up to $50 million in excess liability coverge in London. Weavers led the first $5 million excess layer and a $15 million excess of $5 million layer, while Lloyd's syndicates filled out those layers and led the remaining $30 million in coverage.

However, many brokers are not using the Weavers' and Lloyd's claims-made forms within one company's insurance programs because of the differences in coverage, limiting the liability capacity that can be found in London.

Weavers still leads the first $20 million in excess coverage written on its claims-made form, but brokers disagree on whether the entire $20 million in coverage can be filled out by other markets.

Mr. Wilson says Weavers can write 80% of the first $5 million layer and 40% of the next $15 million layer. Minimum retentions have been increased to $2 million per occurrence from $1 million. Aggregate retentions have been increased to $2 million aggregate for general and auto liability risks and to $4 million for product liability risks from $1 million.

"Clients are paying what we ask for," said Mr. Wilson, but generally Weavers is raising rates on renewal from 10% to 50%.

Brokers do have one new market to tap when attempting to fill out the $20 million in coverage led by Weavers.

The London branch of Boston-based Lexington Insurance Co., a unit of American International Group Inc., is writing $5 million of the $15 million excess of $5 million layer led by Weavers, confirms Keith Peacock, general manager of Lexington in London.

However, Lexington's claims-made form differs slightly from Weavers'. For example, the Lexington coverage excludes all pollution risks, while policyholders can buy back some pollution coverage under the Weavers policy, he said.

Some brokers like Howden's Mr. Drain say they have filled out the entire $20 million in coverage on the Weavers form "with no holes."

"It is possible to get these layers completed depending on the class and price," said Mr. Harrap of Stewart Wrightson.

But Mr. Hibbert says that "if it's Weavers-led, the very best you can find is $15 million. If there is a product liability exposure to the risk, then it's just below $12 million and less for pharmaceutical risks."

The Lloyd's claims-made form primarily is used for liability layers excess of $20 million, usually led by Merrett's Mr. Fenn. London sources say that up to $30 million in capacity led by Lloyd's can be found, about the same as a year ago.

Rate increases range from 10% to 60%, about the same as the rate hikes charged by Weavers.

While brokers generally prefer the Weavers claims-made form to the more restrictive Lloyd's form, Merrett's Mr. Jackson says about 50 to 60 U.S. risks have been written on the Lloyd's form so far. "We are getting plenty of orders," he said.

While some brokers admit they have used both the Weavers and the Lloyd's claims-made forms to complete a U.S. casualty insurance program, "brokers are nervous offering coverage on both the Weavers and Lloyd's form," said one London broker.

Those brokers that use both the Weavers and Lloyd's forms on one program do not use both forms within the same layer and make sure policyholders are told in writing about the differences.

"We have placed risks on both Lloyd's and Weavers' forms and we have explained the policies very carefully to the policyholder," said John Wooderson, managing director of the international division of Willis Faber P.L.C.

"We have taken a conscious decision not to mix the forms within a layer of coverage," said Mr. Howell at Price Forbes. "The only basis on which we are prepared to consider this is for the Lloyd's form to sit on top of Weavers form, which is called the 'wedding cake' effect because there is a broader spread of cover at the bottom and a narrower cover at the top.

"We are not recommending it, but if we are pressed we will do the wedding cake effect provided the American client knows what he is buying and confirms it in writing," said Mr. Howell.

Brokers are still hoping that Lloyd's and Weavers can come up with a common form. "It is very sad that London cannot produce one wording," said Mr. Harrap.

Meanwhile, brokers say capacity is still available in London for directors and officers liability coverage, but rates are rising 300% to 700% compared with a year ago.

Most U.S. buyers, excluding financial institutions, can obtain a maximum of $20 million to $25 million of D&O coverage in London, about the same as last year, said Kenneth G. Roberts, director of Price Forbes.

About $10 million in D&O capacity can be placed with a line slip administered by five London brokers including Willis Faber and Price Forbes, he said, though the slip is currently used only for renewal business.

On the other hand, professional liability coverage is "very difficult" to place in London, said Mr. Roberts.

For instance, the maximum errors and omissions limits written through a Lloyd's slip administered by Leslie & Godwin (Holdings) P.L.C. have been cut to $2 million from $5 million last year, he said.

In addition, he said London insurers will write E&O limits of $20 million in excess of $10 million, but added it's difficult to find coverage between the $2 million layer offered by the Lloyd's slip and the $10 million attachment point.

Rate increases for professional liability coverage are not as dramatic as in the D&O market, with rates rising 25% to 50% from last year.

While the London casualty insurance market remains tight, competition is beginning to reappear in the property insurance market.

At least two London brokers said they lost highly protected risk accounts to the U.S. insurers during July 1 renewals because U.S. underwriters undercut London rates.

"We lost two property renewals in Texas because we were going to renew at (last year's) rate and a U.S. insurance company cut the rate by 20%," said one Lloyd's broker who did not wish to be identified.

"In the last three months we are seeing more competition, I guess, because U.S. companies are taking money out of casualty underwriting and putting it into property underwriting," he said.

"In Canada we are seeing it even more," said the broker. "There was a $185 million shopping center that was just written in the local market at 10 cents per $100. The cheapest we could find in London was 15 cents per $100."

Mr. Wooderson said Willis Faber lost a property account to a U.S. insurer because that insurer cut London rates by "several percentage" points.

"A lot of HPR business has come to London in the last few years and now (U.S. insurers) want it back," said Mr. Wooderson. "On the property side we are seeing the market soften already."

Heath's Mr. Pryke, a leading Lloyd's U.S. property underwriter, admits "there is some indication that competition is creeping back," though he adds, "I find it hard to believe. Maybe some of it is brokers' talk to bring the rates down."

Terry Mann, manager of Price Forbes' property division, notes the London property market is only soft for the best property risks. Rates for non-HPR risks are still increasing 15% to 20%, he said.

While capacity for most property risks remains stable, Mr. Mann said London capacity for California earthquake risks has been cut 10% to 15% over the last year.

Last year "we did 100% of $20 million for a West Coast client for California earthquake cover, and this year we completed only 90% of that," Mr. Mann said.

Property deductibles and retentions are also increasing. "A $200,000 deductible last year may be a $500,000 deductible this year just to mitigate the rate hikes," Mr. Mann said.

Looking ahead to year-end 1986 renewals, which begin in London as early as October, brokers and underwriters agree the London market needs new capital to provide new capacity for U.S. property and casualty risks.

While brokers note that Weavers may write substantial new business by then and that Lloyd's syndicates will be able to allocate their 1987 capacity to year-end renewals, still more capacity will be necessary, says Bowring's Mr. Hibbert.

"The way is wide open for a brand new company in London," he said. "There is an enormous amount of capital in the Western world. It is amazing that no one has said, 'Let's do it.'

"We must get underwriters interested again in writing North American business," he continued. "If we could get a dossier of tort reform, policies that do what they say they do and clients who stick to underwriters and pay premiums, then we might get those underwriters back.

"But just tort reform will not do it. Underwriters have been badly burned. It will take a lot to get them back." ■

Reinsurance renewals tough but orderly

from reinsurers

Reinsurance buyers—clobbered by rate hikes, coverage restrictions and capacity shortages during year-end renewals—are telling much the same story following July 1 negotiations.

The only good news, U.S. reinsurers and brokers report, is that the market has not worsened significantly since January, and the renewal process has become somewhat less chaotic. However, some say the London market has tightened further since Jan. 1.

One reason for the relative orderliness of the July 1 reinsurance renewals, some brokers note, is that fewer programs renew in the middle of the year.

"It's just not as hectic," said Richard E. Cole, president and chief executive of Cole, Booth, Potter Inc. in Edison, N.J., about 20% of whose clients renew reinsurance programs on July 1. "You have more time to spend on the renewals, and the underwriters have more time to spend on them."

Other brokers add that the reinsurers themselves have become more orderly in their underwriting.

"A lot of (underwriters) have had enough time to establish their standards," noted Roger Espe, president of Sullivan Payne Co., the new name for the merged operations of John F. Sullivan Co. and E.W. Payne Inc. Mr. Espe said that during the January renewal season, "there were too many people trying to do too many things, and it was just chaos."

Reinsurers are still far from unanimous in their approach to underwriting certain risks, other observers note.

On some large casualty placements, for example, following markets still may impose terms and conditions that differ from those agreed to by lead reinsurers, forcing renegotiation of the program's terms, said John Etling, president of General Re Corp.

"It's really when you have to orchestrate large capacity and go to the worldwide market that things are still unsettled," he explained, adding that the market for working-layer treaties and facultative reinsurance has stabilized.

But the relative stability in some quarters of the reinsurance market hasn't made renewals a lot easier, brokers say.

"The market is still incredibly hard. Property business does not face the problems casualty business does, but it's still pretty hard," said Thomas A. Greene, president of broker Thomas A. Greene & Co. in New York.

Reinsurers and brokers report significant price increases, especially on large casualty risks, though the increases in some cases are not higher than those imposed at year-end.

Prices on casualty treaties are up 50% to 150%, including the compounding effect of rising direct insurance rates, which are passed through to reinsurers on proportional treaties, Mr. Espe said.

"The renewal rates are going up, but the increases aren't materially higher than Jan. 1," said E.W. Blanch Jr., chairman of E.W. Blanch Co. in Minneapolis. Mr. Blanch added that rates probably will continue to rise, "but more modestly" than they have since last year.

However, Mr. Etling said that rates for casualty reinsurance are up "significantly" and will continue to rise, with "significantly larger" price increases for casualty facultative reinsurance than for casualty treaties.

"On the property side, the rate of increase is leveling off," he added. "We are not pushing the same kind of rate increases. We're already there."

But London market underwriters report large increases in property reinsurance rates. For instance, high-layer property reinsurance rates are 50% higher than six months ago, said a Lloyd's underwriter.

One U.S. ceding company was quoted a $30 million premium by London underwriters for a $65 million excess-of-loss treaty that attached at $35 million, said a London broker who asked not to be named. The U.S. company rejected the quote.

"The market is tighter in July than it was in January," noted Lloyd's of London underwriter Robin A. Jackson of Merrett Syndicates Ltd.

But some say rate increases generally are moderating.

Last year's rise in casualty facultative reinsurance rates is starting to level off, according to Sam Hartman, a manager of Independence Intermediaries Inc. in Lake Success, N.Y.

"In some cases we've even been able to bring a quote down so that there was no increase from last year's price," he said.

However, most brokers and reinsurers report that underwriters are demanding the same coverage restrictions that were imposed during the January renewals. These include:

- Loss ratio caps, which cut off reinsurance coverage after the loss ratio on a contract exceeds a defined point.
- "Per-person warranties" on workers compensation reinsurance, designed to limit reinsurers' exposure to losses on individual work comp claims.
- Elimination of free reinstatements of exhausted reinsurance policy limits. Where free reinstatements were common in the past, reinsurers are increasingly charging additional premiums and limiting the number of reinstatements.

One London reinsurer said he only offers one reinstatement on most treaties, "so we say that we will pay twice, not 50 times as we have in the past."

- Inclusion of aggregate limits for casualty reinsurance, a practice not as commonly followed in recent years.
- Exclusion of certain exposures such as pollution liability or occupational disease claims.
- Sunset clauses, which gradually phase out coverage over a defined period—typically five years—after a contract's expiration.

Although U.S. reinsurers are pressing for use of claims-made liability forms on many risks, most are not insisting on its widespread use, brokers and reinsurers added.

"Most reinsurers are desirous of having companies move to claims-made, but they aren't insisting on it across the board," said a U.S. broker who asked to remain nameless.

"If you are writing a small book of innocuous business, you can still place reinsurance on an occurrence basis," Mr. Espe said.

Other U.S. reinsurers are pushing the claims-made form a little harder.

Although General Re is pushing the claims-made form in certain areas—particularly on accounts that include Fortune 1,000 risks—it also believes the claims-made form with an aggregate limit may have broader applicability, Mr. Etling said.

He pointed particularly to day-care centers, which have produced unexpectedly large aggregations of losses.

Mr. Jackson said that few London underwriters will write reinsurance for "heavy" U.S. liability risks written on an occurrence basis, though he says the London market will reinsure short-tail liability business written on occurrence forms.

Edward Jobe, executive vp of American Re-Insurance Co., pointed out that "claims-made is necessary for the 20% of U.S. business that ought to have it." He noted that the other 80%—"Main Street U.S.A." casualty risks—can be written on occurrence forms.

The latest round of renewals also has seen a dramatic increase in ceding companies' retentions, observers report.

"A number of major companies have dropped their first-layer casualty (reinsurance) coverages" and are now retaining these layers, said one U.S. broker who asked not to be named.

One large insurer was hit with a 60% increase in its retention on the first layer of its property program, he added.

Some London reinsurers say they are more interested in increasing ceding companies' retentions than raising rates.

"The thrust is not so much more on money but on retentions," said one Lloyd's underwriter.

"Underwriters are withdrawing from writing lower working-level risk casualty treaties," added Mr. Jackson, referring to layers below $5 million. "Ceding companies must keep large retentions."

"Basic deductibles have increased substantially, twice or three times what they were last year," said Hady Wakefield, deputy chairman of C.T. Bowring Reinsurance Ltd. in London.

The extent of the capacity crunch also depends on the type of business being reinsured, brokers and reinsurers noted.

Mr. Hartman of Independence Intermediaries, saying the firm has been "much more successful" lining up capacity this year, estimated that capacity for casualty facultative business has increased by at least 20%.

"If you have a $60 million to $80 million treaty and the underwriters of the ceding company are respected people in London, it is easy to place," Mr. Wakefield noted.

Working-layer casualty treaty reinsurance is somewhat more easily placed since relatively few reinsurers fled this area, according to Mr. Etling. "I don't think working-layer casualty business is going begging," he said.

But the crunch didn't ease for many July 1 renewals, observers add.

"Many reinsurers still don't want to touch Fortune 500 companies unless it's above the $30 to $40 million level," Mr. Hartman said. "Utilities are also tough to reinsure and so are municipalities in some states."

High-layer excess casualty treaty reinsurance—as well as reinsurers' own retrocessions—are more difficult to place, Mr. Etling said.

"Everyone and his mother wants us to take catastrophe exposure, and we can't," said a Lloyd's non-marine underwriter. "You can't lay $200 million off. Collecting enormous aggregate liabilities is not attractive."

The shortage of retrocessional capacity is partially to blame for the decline in reinsurance capacity, observers noted.

"More and more reinsurers are becoming effectively net-line underwriters" because they can't place retrocessions, Mr. Espe said.

In addition, some Lloyd's underwriters are limiting capacity, especially for new treaties, because their syndicates are approaching their premium limits for 1986.

Although some newly capitalized reinsurers are coming into the market, the new capacity has not made a major difference, reinsurance brokers say.

"There are some new companies coming into the business, and we may see some sort of improvement by the end of the year," Mr. Espe said. "But as far as the July 1 (renewals) are concerned, the pressure is still on us."

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This story is based on reports by Douglas McLeod and Jennifer Pellet in New York and Stacy Shapiro in London.

BI Industry Stock Report

July 9, 1986 **7/3/86 thru 7/9/86**

Brokers

		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol.(000)
Alexander & Alexander Svcs	NYSE	39.38	0.6	0.4	1.00	2.5	40.25	38.50	583.0
Baldwin & Lyons Inc	OTC	27.50	14.6	68.7	0.16	0.6	27.50	24.50	2.3
Corroon & Black Corp	NYSE	38.75	-5.8	20.7	0.65	1.7	41.75	38.00	384.8
Crump E H Cos Inc	OTC	28.00	-2.6	23.7	0.25	0.9	28.75	28.00	89.6
Gallagher Arthur J & Co	OTC	51.50	1.0	22.2	0.40	0.8	51.50	50.00	135.8
Hall Frank B & Co Inc	NYSE	23.88	-3.5	0.0	0.00	0.0	25.25	23.88	267.8
Marsh & McLennan Cos Inc	NYSE	60.00	-3.2	23.8	1.50	2.5	65.00*	60.00	437.9
Poe & Assoc Inc	OTC	12.25	11.4	0.0	0.53	4.4	12.25	11.25	11.4
				=====		=====			
AGENTS/BROKERS	AVERAGE			3.0		1.6			

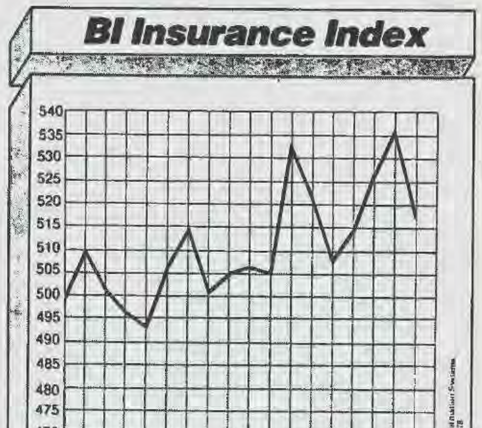
Conglomerates & Holding Cos.

		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol.(000)
American Express(Fireman's Fd)	NYSE	59.00	-4.6	13.8	1.36	2.3	62.00	59.00	3,480.2
Anderson Clayton(Ranger/PanAm)	NYSE	55.88	-9.7	31.9	0.00	0.0	0.00	0.00	0.0
Armco Inc	NYSE	8.00	-13.5	0.0	0.00	0.0	9.00	7.88*	900.8
Berkley W R Corp	OTC	35.75	-10.1	27.7	0.24	0.7	39.50	35.75	256.0
CIGNA Corp	NYSE	62.00	-2.7	0.0	2.60	4.2	64.13	62.00	1,263.6
CNA Finl Corp (CNA)	NYSE	60.25	-8.2	19.0	0.00	0.0	65.50	60.25	183.3
General Re Corp	NYSE	60.13	-0.6	37.1	0.88	1.5	62.50	59.13	1,010.3
ITT (Hartford Group)	NYSE	54.75	3.3	29.8	1.00	1.8	58.13*	53.75	10,856.6
Sears Roebuck & Co. (Allstate)	NYSE	44.00	-9.5	12.8	1.76	4.0	48.38	44.00	5,455.7
Teledyne Inc (Argonaut)	NYSE	329.88	-1.6	7.9	0.00	0.0	337.88	329.50	87.9
Transamerica Corp (Occidental)	NYSE	36.00	0.0	17.2	1.68	4.7	37.50	36.00	699.0
				=====		=====			
CONGLOMERATES/HOLDING COS.	AVERAGE			16.4		1.2			

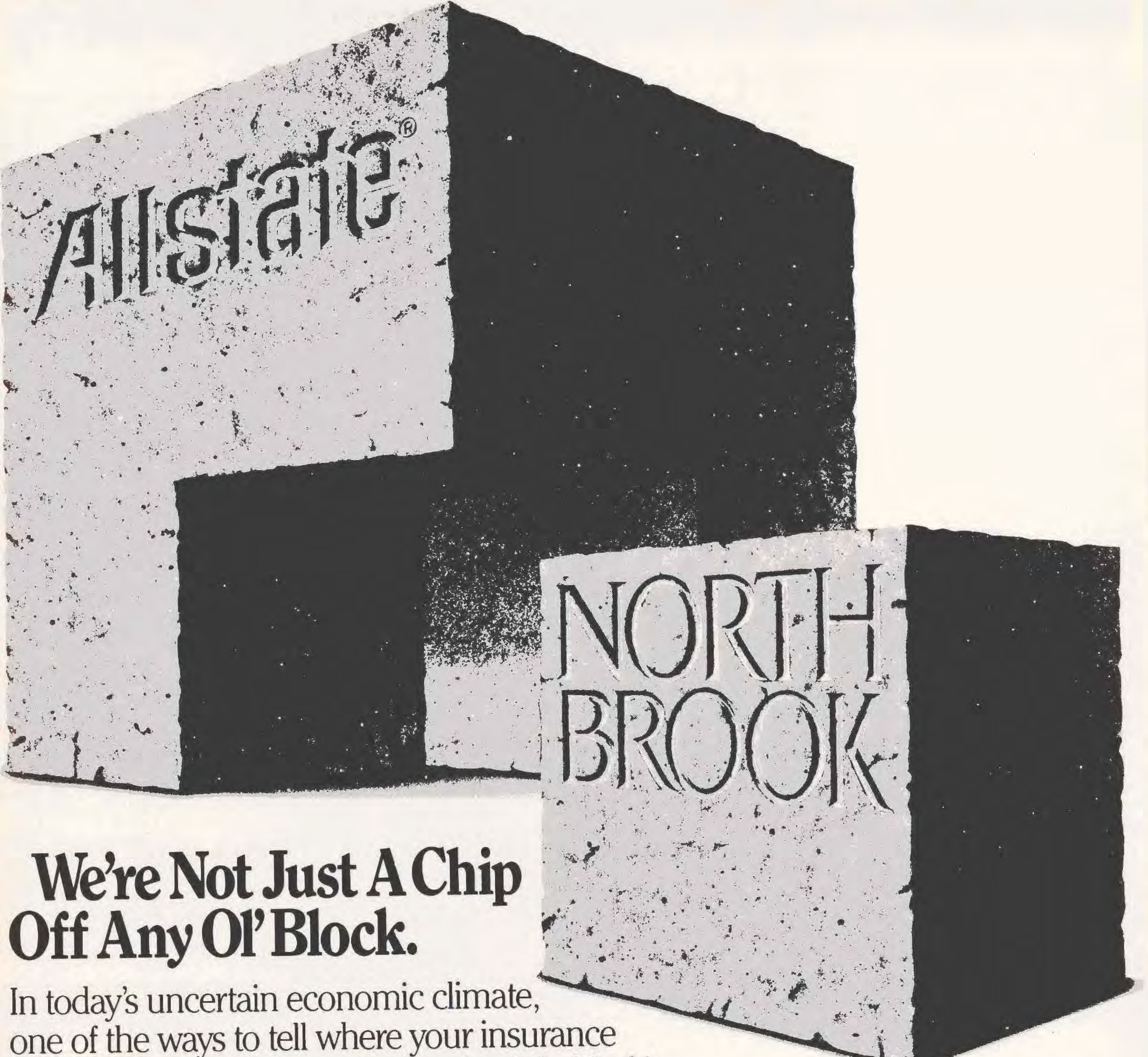
Insurers

		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol.(000)
Aetna Life & Cas Co	NYSE	59.00	-3.9	13.0	2.64	4.5	62.50	58.88	5,486.1
American General Corp	NYSE	41.88	-0.3	12.7	1.12	2.7	43.38*	41.63	1,689.5
Amern Heritage Life Invt Co	NYSE	42.25	-0.6	15.5	1.32	3.1	42.63	42.25	4.4
American Indty Finl Corp	OTC	19.63	1.9	0.0	1.12	5.7	19.75	19.50	32.7
American Intl Group Inc	NYSE	126.75	-1.4	23.6	0.44	0.3	130.75	124.75	636.3
Aneco Reins Ltd	OTC	2.25	-18.2	0.0	0.00	0.0	2.75	2.25	7.6
Avemco Corp	NYSE	27.00	-3.6	15.0	0.50	1.9	28.50	27.00	16.4
Business Mens Assurn Co Amer	OTC	28.50	-2.6	17.2	1.10	3.9	29.50	28.25	39.5
Chubb Corp	NYSE	68.50	-2.8	134.3	1.56	2.3	72.25	68.38	512.7
Combined Intl Corp	NYSE	58.75	-3.7	11.8	2.24	3.8	62.63	57.75	194.6
Continental Corp	NYSE	46.38	-4.1	0.0	2.60	5.6	48.25	45.75	950.1
Crown Life Ins Co	OTC	350.00	-10.3	3.5	0.00	0.0	390.00	350.00	0.3
Durham Corp	OTC	46.50	0.0	12.5	1.36	2.9	47.00	46.00	20.8
Farmers Group Inc	OTC	41.75	-0.6	15.0	1.00	2.4	43.75	41.50	782.3
Fairmont Finl Inc	AMEX	18.75	-41.9	23.4	0.00	0.0	32.25	17.88*	106.4
Fireman Fd Corp	NYSE	35.00	-7.3	0.4	0.30	0.9	38.00	35.00	858.1
Fremont Gen Corp	OTC	27.13	-2.7	0.0	0.48	1.8	28.75	27.13	172.7
Great West Life Assurn Co	OTC	830.00	-2.4	8.3	18.00	2.2	850.00	830.00	0.5
Home Group Inc	AMEX	26.25	-1.9	57.1	0.00	0.0	26.50	25.13	667.5
Hanover Ins Co	OTC	60.75	-2.0	32.5	0.56	0.9	62.75	60.75	102.9
Hartford Steam Boiler Insptn	OTC	98.75	0.8	15.7	2.40	2.4	101.00*	98.75	24.2
Kans City Life Ins	OTC	35.25	-2.8	13.9	0.87	2.5	36.00	35.25	4.4
Kemper Corp	OTC	31.50	-3.1	100.0	0.60	1.9	33.25	31.00	624.6
Liberty Corp S C	NYSE	42.63	-0.9	18.0	0.72	1.7	44.88*	42.63	21.5
Lincoln Natl Corp Ind	NYSE	51.38	-3.1	11.6	2.00	3.9	53.13	51.38	447.9
Mission Ins Group Inc	PAC	3.00	0.0	0.0	0.00	0.0	4.38	2.88	460.0
Monumental Corp	OTC	54.50	-0.2	19.4	1.40	2.6	54.75	54.50	227.2
Nac Re Corp	OTC	37.00	5.7	0.0	0.00	0.0	38.50	35.50	65.5
Nobel Ins Ltd	OTC	16.50	-2.9	21.7	0.25	1.5	17.50	16.50	83.9
Northwestern Natl Life Ins	OTC	30.63	-1.6	13.4	0.86	2.8	32.75*	29.38	700.0
Ohio Cas Corp	OTC	82.50	-2.4	19.1	3.00	3.6	84.75	81.75	111.4
Old Rep Intl Corp	OTC	35.88	-2.4	13.1	0.78	2.2	37.25	35.75	142.8
Orion Cap Corp	NYSE	35.75	2.9	0.0	0.76	2.1	36.75	34.75	159.9
Protective Corp	OTC	23.25	-4.1	12.7	0.70	3.0	23.50	23.00	138.4
Provident Life & Acc Ins Co	OTC	29.13	-1.7	10.1	0.84	2.9	30.00	28.88	164.4
St Paul Cos Inc	OTC	43.75	-4.4	26.5	1.50	3.4	46.00	43.75	1,257.7
SAFECO Corp	OTC	57.50	-2.5	15.5	1.68	2.9	59.50	57.13	594.7
Sri Corp	OTC	22.00	-1.7	0.0	0.80	3.6	22.75	22.00	34.5
Seibels Bruce Group Inc	OTC	18.25	-5.2	0.0	0.80	4.4	19.00	18.25	46.0
Statesman Group Inc	OTC	5.50	0.0	39.3	0.05	0.9	5.50	5.38	90.9
Tokio Marine & Fire Ins Co	OTC	404.25	0.8	76.1	1.05	0.3	411.25	398.00	8.1
Torchmark Corp	NYSE	34.75	-6.7	15.1	0.60	1.7	37.88*	34.75	571.4
Travelers Corp	NYSE	48.75	-2.0	12.3	2.16	4.4	49.63	48.13	1,791.4
Trenwick Group Inc	OTC	23.25	-4.1	0.0	0.00	0.0	24.75	23.25*	307.5
United Fire & Cas Co	OTC	27.00	-4.4	21.4	0.80	3.0	28.50	27.00	52.4
United States Fid & Gty Co	NYSE	39.38	-2.2	0.0	2.32	5.9	40.50	39.38	722.4
Uslife Corp	NYSE	45.75	-7.6	12.2	1.12	2.4	48.63	45.63	202.1
Washington Natl Corp	NYSE	34.00	-2.2	15.0	1.08	3.2	35.13	34.00	120.8
Zenith Natl Ins Corp	OTC	27.00	-7.7	135.0	0.80	3.0	28.63	27.00	186.6
				=====		=====			
INSURANCE COMPANIES	AVERAGE			9.0		2.0			

System design: Altman Information Systems



Last week's stock market plunge took its toll on insurance industry issues, as the *Business Insurance* stock index plummeted 17 points to 519.0 on July 9 from 536.0 on July 1. Only eight issues posted gains, while 47 declined and five were unchanged. The largest gains were posted by Poe & Associates Inc., up 11.4%; NAC Re Corp., up 5.7%; Orion Capital Corp., up 2.9%; American Indemnity Financial Corp., up 1.9%; and Arthur J. Gallagher & Co., up 1.0%. The largest declines were posted by Fairmont Financial Corp., down 41.9%; Aneco Reinsurance Co. Ltd., down 18.2%; Crown Life Insurance Co., down 10.3%; W.R. Berkley Corp., down 10.1%; and CNA Financial Corp., down 8.2%. The 3.1% decline in the *BI* index was not as severe as the 3.5% drop in the NYSE composite.



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