

business insurance

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Tougher times at midyear

Rate hikes, capacity crunch worsen with July 1 renewals

By CAROL CAIN and ROBERT A. FINLAYSON

U.S. retail brokers say July 1 insurance renewals are even more difficult than Jan. 1 renewals—which many said then were the most difficult ever.

And, the worst is not over. Brokers predict that the commercial insurance market—especially for liability coverages—will continue to constrict into 1986.

Not only are rates increasing dramatically for both liability and property coverages in the U.S. and London markets, but capacity for some liability risks is evaporating at an alarming rate, report brokers.

The most difficult insurance to secure is excess and umbrella liability coverages, agree brokers.

Many were still working last week to fill out excess and umbrella programs on July 1 renewals. And, capacity for product liability, professional liability and environmental liability risks also has decreased significantly since Jan. 1, brokers say.

July 1, which some say is the busiest renewal period second to Jan. 1, is an especially busy period for renewing coverages for public entities, like school districts and municipalities whose fiscal years begin on July 1. For some brokers, July 1 renewals generate more premium volume than Jan. 1, they say.

"In hindsight, Jan. 1 looks pretty good," concedes John T. Sinnott, executive vp with Marsh & McLennan Inc. in New York. And, he has yet to see a leveling off in insurers' tougher attitude, which hit the market full force in the fourth quarter of 1984.

"For the remainder of this year, I don't see any relief," agrees Peter Polstein, a vp with Alexander & Alexander Services Inc. in New York.

It was wishful thinking back in January to believe the market would settle out in 18 months, said Frank A. McDougold Jr., a senior vp with Fred S. James & Co. in New York.

"No indicators that we see suggest that will be the case," he says.

"We lost a significant amount of capacity from Jan. 1 to July 1,"

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Photo: Cynthia Alvarez

The toll of the turn

The tightening market is a big problem for Texas Gulf shrimp boat operators whose ships sit idle because they can't afford rate hikes of 100% to 300%. See story, page 29.

The worst is yet to come, reinsurers, brokers predict

By DOUGLAS McLEOD

It's summertime, but the living is far from easy for reinsurance buyers.

After being clobbered during last January's renewals with rate hikes, capacity shortages and more-restrictive policy terms, ceding companies were hit even harder during July 1 renewals.

And, there is no relief in sight as next January's renewal season approaches, brokers and reinsurers predict.

"I think it's going to be a bloodbath," said an underwriter at Constitution Reinsurance Corp. in New York, referring to next January's renewals, which brokers will start negotiating in the fall.

"Last year will look like a picnic compared to this year," the underwriter says.

"Nothing has gotten easier since January. Everything has gotten tougher and is likely to continue getting tougher," observes Norman Wayne, president of INA Reinsurance Co. in Philadelphia, a CIGNA Corp. unit.

"Underwriters seem to be happy not to write business or renew business and have to be cajoled and convinced even to renew things," complained Paul Butler, chairman and president of Frank B. Hall (Reinsurance) Holdings Inc. in New York.

Among the risks that reinsurers are reluctant—or unwilling—to write or renew, sources say, are global catastrophe programs, pollution liability, directors and officers liability, various forms of professional liability, excess umbrella coverages, pro-rata casualty treaties and any other business that has shown poor loss experience.

Price increases and capacity restrictions have been most severe in these areas, but were also felt across-the-board on all July 1 renewals, brokers and reinsurers say, noting that price hikes have averaged as much as 50%.

In addition, many reinsurers have reduced ceding commissions and are imposing a variety of new coverage restrictions designed to shift risk back to reinsurance buyers.

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London readies claims-made umbrella form

By STACY SHAPIRO

LONDON—One of the two leading London underwriters of North American casualty risks is expected to implement a new, restrictive claims-made umbrella liability policy form Sept. 1, three months before the Insurance Services Office's new primary liability claims-made form is effective in the United States.

H.S. Weavers (Underwriting) Agencies Ltd. is hoping to finalize the form by the end of the month so that it is ready for Sept. 1 renewals, said Weavers' Managing Director Peter Wilson.

The rest of the London market, including the other North American leading underwriter, already endorses a switch to claims-made forms, suggesting Weavers' new excess form will receive wide support.

This would virtually eliminate in London any excess liability insurance written on the

now pervasive London 1971 umbrella occurrence form.

And, the new Weavers' form may not dovetail neatly with any underlying insurance purchased by a Weavers' policyholder because the Weavers' form will not follow the conditions of any underlying insurance—claims-made or occurrence.

Instead, the Weavers' form imposes a new "self-insured deductible" of indemnity payments stemming from exposures covered by the Weavers' policy before the excess coverage is available.

The Weavers' form and the ISO claims-made form differ slightly in some respects, but the words "indemnity payments" in the Weavers' form signal the key difference between the Weavers' form and the new ISO claims-made form that is expected to be in effect July 1, 1986.

ISO is asking state insurance departments to approve the inclusion of defense costs

within policy limits effective July 1, 1986.

While Weavers will include defense costs within its policy limits, as does the current London form, Weavers' form will not recognize underlying defense costs as satisfying the "self-insured deductible."

Therefore, to the extent that primary insurance is exhausted by defense costs, a Weavers' policyholder will have to foot the bill for an equal amount of indemnity payments for risks covered by the Weavers' form before claiming against the Weavers' policy.

Furthermore, all associated defense costs incurred after the primary policy is exhausted and before the Weavers' policy is triggered will be borne by the policyholder.

For example, if a primary policy with limits of \$1 million is exhausted by defense costs of \$250,000 and indemnity payments of \$750,000, the Weavers' policyholder would have to pay the next \$250,000 in indemnity

payments and all associated defense costs out of its pocket before the Weavers' policy would begin to pay defense costs and indemnity payments.

"We are not following the terms of ISO," said Mr. Wilson, whose policies generally attach at no less than \$1 million.

Similarities between the Weavers and ISO forms include: imposition of a retroactive date on coverage for claims, exclusion of coverage for pollution liability and introduction of separate aggregate limits for specific exposures.

Both ISO and Weavers say they intend for the retroactive date to be the date of inception of the first ISO or Weavers' claims-made form.

However, neither ISO nor Weavers gives any written guarantee that the inception date of the first claims-made policy will be the retroactive date on subsequent policies.

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Public entities dive into self-insurance pools following rejection by commercial insurers

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Insurers make own contribution to 'Live Aid' benefit concert

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update

Draft product liability bill ready

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the major product liability bill, S. 100, introduced by Sen. Robert Kasten, R-Wis. The Kasten legislation, which is now pending in the committee, lacks a no-fault provision (BI, June 24).

The draft proposal is designed to break an impasse on the Commerce Committee. Some members, like Sen. Danforth, want to enact a tort reform bill, but they recognize a measure will not pass without some kind of provision that would make it easier for accident victims to receive payment in cases where it is difficult to prove whether the manufacturer or the consumer is at fault.

A no-fault provision would let victims opt to waive the right to sue in exchange for prompt payment of economic losses.

Insurer groups have opposed other no-fault proposals, saying those proposals would make it impossible for them to measure their risks. However, they say they will review the Commerce Committee draft bill with an open mind.

Four expelled from Lloyd's

LONDON—Lloyd's of London has expelled three former Alexander Howden Group P.L.C. executives and another Lloyd's member in connection with the misappropriation of about \$55 million from Howden.

In addition, Lloyd's underwriter Ian R. Posgate, who had been implicated in the scandal, will be suspended from Lloyd's for another six months after an appellate judge overruled a decision by a Lloyd's disciplinary committee to expel Mr. Posgate (BI, May 13).

Lloyd's expelled former Howden Chairman Kenneth V. Grob, former Howden executives Ronald C. Comery and Jack H. Carpenter and Lloyd's member Mario Benbassat on charges of conspiring to purchase a Swiss bank managed by Mr. Benbassat with funds derived from Lloyd's syndicates and of capitalizing a Panamanian company with misappropriated funds.

In addition, Mr. Grob and Mr. Comery were charged with falsifying Howden accounts.

The four men did not appeal the expulsions.
Mr. Posgate was charged with breaching fiduciary duties to his syndicates by not disclosing his interest in the Swiss bank and by accepting a gift from Mr. Grob that would influence his underwriting.

Mr. Posgate's suspension expires Jan. 8, and he then may apply to Lloyd's to again become an underwriter and/or a director of an underwriting agency, said Lloyd's Chief Executive Ian Davison.

Allstate quits facultative market

NORTHBROOK, Ill.—Allstate Insurance Co. announced last week that it has discontinued all facultative reinsurance underwriting.

Facultative reinsurance accounted for about 5%—or \$12.7 million—of the \$254 million in 1984 net premiums written by Allstate's reinsurance division. Its facultative business was about evenly split between property and casualty risks, a spokesman said.

The company plans no midterm cancellations but will allow contracts to expire as they come up for renewal. The decision took effect last Thursday, though Allstate was still renewing facultative contracts on July 1 (see story, page 1).

"During the past few years, the facultative reinsurance business has experienced a dramatic downturn in bottom-line results," said Joseph R. Aspland, vp and general manager of Allstate's reinsurance division. "Our analysis and studies over many months indicate that this trend will not reverse in the foreseeable future."

About 70 Allstate employees will be affected by the decision, but the company says it will reassign the employees "where possible."

Hogg Robinson buys all of RHR

LONDON—No changes are planned at Republic Hogg Robinson Inc., the 14th-largest U.S. broker, following Hogg Robinson Group P.L.C.'s announcement that it has bought LTV Corp.'s 50% share of RHR, says Andrew Hankey, finance director for Hogg Robinson, the third-largest Lloyd's of London broker.

"The company's doing very well, and there is a new management team that was installed 18 months ago. So, there will be no changes at all," said Mr. Hankey.

Hogg Robinson, which had owned the other 50% of RHR, announced late last month that it would purchase LTV's interest for \$9.7 million in cash. The acquisition was financed by an offering of 3.5 million Hogg Robinson shares, Mr. Hankey said.

RHR reported 1984 gross revenues of \$30.6 million, up 9.4% from just less than \$28 million in 1983.

RHR President Charles E. Keller noted that RHR will not change its name.

"It's better for us to be entirely owned by a London company that is in the insurance business," Mr. Keller said.

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Trenwick Re ceases underwriting in Bermuda

By KATHRYN J. MCINTYRE

WESTPORT, Conn.—Trenwick Reinsurance Group is no longer underwriting reinsurance in Bermuda, the offshore domicile where the company opened operations five years ago and built its reputation.

Bermuda-based Trenwick Reinsurance Co. Ltd., the group's maiden reinsurance company, stopped accepting new and renewal business July 1.

Trenwick America Reinsurance Corp. in Westport, Conn., the group's U.S.-licensed reinsurance company, which was acquired in 1983, is now the group's flagship reinsurance company.

With 75% of its \$27 million in capital invested in the United States, Trenwick is clearly primarily a U.S. reinsurance group although its holding company, Trenwick Ltd., remains a Bermuda-based company.

"A fundamental change in the marketplace" forced Trenwick's decision to move onshore and ultimately to stop offering Trenwick Re as a reinsurance market, said Trenwick Reinsurance Group Chairman James Billett.

Trenwick Re 'was not preferred security in today's security-conscious environment,' explains Mr. Billett.

Ceding companies are demanding admitted reinsurance, Mr. Billett explained, and as a non-admitted reinsurer, Trenwick Re "was not preferred security in today's security-conscious environment."

Trenwick's decision to stop underwriting in Bermuda, following that of INA International Reinsurance Co. Ltd. (see story, page 26), further reduces the number of commercial reinsurance companies operating in Bermuda.

The membership of the Bermuda Independent Underwriters Assn. is now down to 16, only 14 of which are primarily reinsurance underwriters. The BIUA boasted 30 members in 1984.

Trenwick—whose investors include insurance and industrial companies, venture capitalists and individuals—specializes in facultative casualty reinsurance, with extensive experience related to reinsurance for captive insurers and self-insurance programs.

Trenwick first expanded into the United States in 1983 by organizing and investing in the Apple Syndicate on the New York Insurance Exchange and acquiring a majority interest in a U.S. licensed reinsurer, Ex-

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Canada and New York push to liquidate Northumberland

TORONTO—Canadian and New York insurance regulators are pressing for liquidation of Toronto-based Northumberland General Insurance Co., whose outstanding claims are estimated at \$170 million Canadian (\$125 million U.S.).

More than half of those claims—\$90 million Canadian (\$66.6 U.S.)—are owed to U.S. policyholders, said Robert M. Hammond, Canada's superintendent of insurance.

Canadian authorities are still analyzing Northumberland's assets to determine how much is available to cover these liabilities.

An unaudited year-end 1984 financial statement showed Northumberland had assets of \$123 million and liabilities of only \$101 million. Auditors refused to certify that financial statement.

Northumberland, a subsidiary of Ivanhoe Insurance Group, only began writing in the United States in 1983, but by 1984 two-thirds of its business involved U.S. policyholders, Mr. Hammond said.

Haddon S. Fraser Associates Ltd. in New York, another Ivanhoe subsidiary, is Northumberland's United States managing general agent.

Northumberland's rapid expansion in the United States caused the insurer's financial problems, Mr. Hammond said.

Northumberland, licensed in New York, wrote mainly inland and ocean marine insurance on a non-admitted basis in the United States.

The Canadian Insurance Department seized Northumberland's assets July 1 (BI, July 8). And, on July 9, the Canadian Minister of State for Finance requested that the attorney general apply to the Canadian Supreme Court to wind up, or liquidate, the insurer.

The New York Insurance Department filed July 2 an order with the state Supreme Court under which Northumberland would have to demonstrate why it should not be liquidated. A hearing was scheduled for July 12.

Pending liquidation, all claims payments have been stopped.

BI changes issue dates

Business Insurance announces changes in the previously scheduled publication dates of two of its upcoming special issues.

The special report on insurance exchanges, covering the three exchanges in the United States and Lloyd's of London, will be published on Sept. 2. The report had been slated for publication Aug. 26.

In addition, the annual Monte Carlo Rendez-Vous Report, covering the yearly meeting of reinsurers in Monaco, will be published Sept. 23. It had been slated for Sept. 16.

These publication dates are being rescheduled to allow for the distribution of the special issue on the insurance exchanges at the Monte Carlo Rendez-Vous the week of Sept. 9, and to facilitate complete and comprehensive coverage of the Rendez-Vous itself.

Employee benefit tax proposals to be discussed at BI conference

NEW YORK—Stuart J. Brahs, executive director of the Assn. of Private Pension & Welfare Plans, will be the speaker at the Tuesday luncheon during the Business Insurance Employee Benefits Communications Conference scheduled for Aug. 4-6 in New York.

Mr. Brahs will speak on recent proposals to tax employee benefits, in response to a challenge to the benefit community to speak out from Rep. Dan Rostenkowski, D-Ill., chairman of the House Ways & Means Committee. Mr. Brahs will describe the virtues of the current benefits system and explain that recent data dramatically show how broad a spectrum of working Americans and their families are protected under the current system.

Recently legislated changes to employee benefits already have caused confusion and anxiety for employers and employees, Mr. Brahs will explain. A new assault, in the guise of "tax reform," further threatens the future of essential benefits.

In addition, proposed restrictions to 401(k) savings plans and other thrift plans will serve to discourage

retirement savings at a time when national policy should be to increase the rate of personal savings, according to Mr. Brahs.

He will underscore the APPWP's concern that benefits are widely regarded as "easy targets," and that legislators in search of more tax dollars will cast their eyes on programs that have represented sound social policy for the last seven decades.

Mr. Brahs has been the executive director of the APPWP since December 1984. Previously, he was the director of federal legislative and regulatory affairs for the American Council of Life Insurance, and held several congressional staff positions.

The Business Insurance conference, "The Dollars & Sense of Communicating Employee Benefits," will include seminars and workshops on the foundations of effective employee benefit communications, case studies, print communication and solving problems posed by conference registrants.

The conference will be held at the Grand Hyatt Hotel in New York, and the registration cost is \$575.

For more information or to register for the conference, contact conference Registrar Ann Vazquez, Business Insurance Communication Services Department, 220 E. 42nd St., New York, N.Y. 10017; 212-210-0137.



Mr. Brahs

International meeting to focus on future of risk management

By MARLA ANTELIS

MONTE CARLO, Monaco—What the future holds in store for risk managers around the world is the theme of the third International Risk Management Conference, scheduled for Oct. 6-9 in Monte Carlo.

The conference is sponsored jointly by the Risk & Insurance Management Society, which represents corporations in the United States and Canada, and the Assn. Europeenne des Assures de L'Industrie, an umbrella organization for national risk management groups from European nations, including Belgium, France, the United Kingdom, Italy, the Netherlands and West Germany.



International conferences were held in Monte Carlo in 1981 and 1983. Almost 500 people from 22 countries attended in 1983. "This is still the only international risk management conference put together by risk man-

agers for risk managers," said W. Michael McDonald, conference co-chairman.

"Others may be called international, but this really is international," said Mr. McDonald, who also is executive vp of the International Federation of Risk & Insurance Management Assns.; a member of RIMS' International Commerce Committee; and chairman for the Asia-Pacific Risk Management Conference scheduled to be held in Singapore in 1986.

European risk managers traditionally have outnumbered American risk managers at the conference. But, "We expect a much greater part to be played this year by North American risk managers, due to the improvement in the American economy," Mr. McDonald said. "The Europeans come to learn about up-to-date risk management tools. . . North Americans, of course, come to learn more about what's going on in other countries. But, they also form relationships that they can draw from in the future." He added that 35% to 50% participation by risk managers at this year's conference is expected, and some 400-500 people will attend.

"We don't want participation to reach 600-700," Mr. McDonald said. *Continued on page 16*

Dow pays settlement to three after verdict in herbicide suit

By STEPHEN TARNOFF

BEAUMONT, Texas—Dow Chemical Co. has paid an undisclosed amount to settle a recent \$824,500 jury award to three workers at a Texas chemical plant who were exposed to an herbicide used in the manufacture of a weed killer and in the manufacture of Agent Orange.

The settlement was reached about two weeks ago, after last month's jury verdict in the case involving the herbicide 2,4-D. This is the first verdict in a case involving 2,4-D, according to plaintiff's attorney Jeff R. Branick. The herbicide allegedly causes nerve damage and other problems.

However, the jury found Dow, based in Midland, Mich., not liable for the alleged injuries of two other workers who also sued.

Both Mr. Branick and a spokeswoman for Dow declined to divulge the amount of the settlement.

However, Mr. Branick said the settlement amount is less than the jury award. He said the plaintiffs accepted the settlement to avoid having to wait up to two years to receive their money, had Dow appealed the verdict. He added that Dow already has paid the settlement amount to the workers.

Mr. Branick, of the Port Arthur, Texas, firm of Provest, Umphrey, McPherson & Swearingen, said he believes the jury award was the first in a case involving the herbicide.

"It is significant. Lawyers from all over the U.S. have been asking for information and pointers on how to try such a case."

While this is apparently the first trial involving the chemical 2,4-D, other lawsuits have been settled, Mr. Branick said. And, he added that thousands of people around the country may be suffering the effects of exposure to the herbicide.

Before the jury verdict against Dow, the five workers who originally sued settled with three other suppliers

of the herbicide for a total of \$600,000.

Those defendants were T.H. Agriculture and Nutrition Co. of Kansas City, Mo.; Rhone-Poulenc Inc. of Monmouth Junction, N.J.; and Vertac Chemical Corp. of Memphis, Tenn.

In the Dow case, the jury assessed a total liability of \$970,000, but it found that Dow was 85% responsible and the remaining three defendants each were 5% liable. Dow supplied about 40% of the 2,4-D used by Velsicol Chemical Corp., the Nederland, Texas, chemical plant where the workers were employed.

The workers could not sue Velsicol under Texas workers compensation laws, Mr. Branick explained.

The employees originally filed workers compensation claims for their injuries. However, these claims were not pursued because of a Texas law requiring workers compensation awards received to be deducted from the amount plaintiffs receive in jury verdicts.

The men worked as operators and processors mixing chemicals at the Velsicol plant. Their work included mixing 2,4-D with other chemicals to make an herbicide called Banvel.

Among the chemicals to which they were exposed was 2,4,5-T, which when combined with 2,4-D, can produce Agent Orange. However, the workers were not exposed to the exact formulation of Agent Orange, Mr. Branick added.

Dow is a participant, along with seven other chemical companies, in a \$180 million settlement with veterans who were exposed to the herbicide Agent Orange during the Vietnam War (BI, May 14, 1984).

All of the plaintiffs worked for Velsicol from seven to 10 years and left between 1980 and 1983.

They claimed in their suit that, as a result of their exposure to the herbicide, they suffered damage to their nervous systems as well as psychological damage.

However, since they stopped working at the plant, *Continued on page 6*

Special event rates cut for charity rock concert

By STACY SHAPIRO and MICHAEL BRADFORD

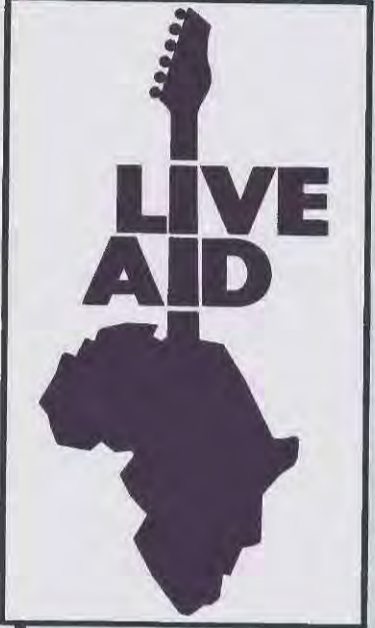
Underwriters in the tightening special event insurance market are making their own donation to the effort to combat world hunger.

Underwriters only charged about two-thirds of the going rate for the liability and cancellation coverage for the London portion of last Saturday's "Live Aid" benefit, the trans-Atlantic rock concert organized to raise fund for hunger relief, a London broker says.

Live Aid, which featured a galaxy of popular music stars, was held at stadiums in Philadelphia and London and broadcast around the world for 16 hours.

Although the organizers of the London concert received a coverage discount, brokers for the Philadelphia concert had not yet placed insurance at press time last week.

Performers, contractors and others involved with the production donated their services or provided them at cut rates to help raise money for the cause, said Nick Worwood, director of Exposure Ltd., a London company which promoted the concerts.



For instance, Lloyd's of London broker Tozer Philipps Ltd., which helped coordinate the insurance for the London concert at Wembley Stadium, donated its 20% profit commission to Live Aid, said Chris Elliott, a Tozer Philipps director.

Underwriters charged a premium of 30,000 pounds to 35,000 pounds (\$40,800 to \$47,000) for 10 million pounds (\$3.6 million) of liability coverage and 1.5 million pounds (\$2 million) of cancellation and abandonment coverage, said Mr. Elliott.

"I think they are charging about two-thirds of what the right premium should be," he said.

The 1 million-pound primary liability layer was led by Excess Insurance Co. Ltd. A layer of 4 million pounds excess of 1 million pounds was led by Lombard Elizabethan Insurance P.L.C., while a layer of 5 million pounds excess of 5 million pounds was led by Lloyd's underwriters.

The cancellation and abandonment coverage was led by Sun Alliance & London Insurance P.L.C.

A total of about a dozen underwriters participated in the coverage, he said.

The named insureds on the policies are Xylopark, which Mr. Elliott says is the name of the company staging the London concert, and Harvey Goldsmith Entertainment, the promoters of the London concert.

Although the insurance for the London concert was well placed in advance of the event, brokers for the Philadelphia Live Aid concert were still scrambling to find coverage for the event late last week.

A spokesman for Fred S. James & Co. Inc. in Los Angeles said James was working with "a few other brokers" on the coverage for the 10-hour show in John F. Kennedy Stadium, produced by New York-based Bill Graham Presents. "The specialty coverages are coming right down to the wire."

He did not say what types of coverage the broker was attempting to place for the show, but remarked three days before the concert: "We're close on a few layers."

A spokesman for American International Group Inc.'s entertainment division in New York said it had been asked to quote a rate for a \$1 million primary layer of general liability coverage for the Phi-

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Public entities plunge into self-insurance pools

By MEG FLETCHER

Spurned by commercial liability insurers, public entities across the nation are diving into self-insurance pools.

Joining a pool is a logical alternative for many public entities, some of which currently are without liability coverages because they refuse to pay whopping rate increases demanded by insurers or cannot find coverage (BI, July 8).

Pools have promoted themselves by emphasizing they offer a stable market that can provide adequate capacity for public entities at a reasonable cost, explains Gregory Berg, vp in the Darien, Conn., office of risk management consultant Tillinghast, Nelson & Warren Inc.

"This current market will drive home the point that (pools) are more stable than the traditional insurance market," he said.

"Those involved with pools feel they are one of the most viable alternatives" to the commercial insurance market, said David C. Epps, executive director of the Missouri Intergovernmental Risk Management Assn. in Columbia, Mo.

Sources estimate that about 15,000 public entities nationwide currently belong to some 160 to 175 pools, more than half of which are located in California.

Pools themselves report that their membership is increasing due to the constricting public entity liability insurance market.



• Membership in the Texas Municipal League pool's 2½-year-old liability insurance program has more than doubled to 191 cities from 94 cities in January 1984.

The TML pool is churning out about 15 proposals weekly, which is twice the usual number, said Francis J. Fey, assistant director of the TML's property/casualty services in Austin.

The liability program, which generates an annualized premium of \$9 million, offers broad general, automobile, personal injury, public officials and police professional liability

coverages.

Member municipalities can choose deductibles ranging up to \$25,000. The pool retains \$300,000 per claim. Above that, members can buy excess coverage of \$1 million to \$5 million per claim through the pool.

Some large cities in the past have arranged for facultative reinsurance to increase limits above \$5 million, although that reinsurance program has not been available since last December, Mr. Fey said.

The TML liability program is one of four that the pool offers to its 600 members, which represent two-thirds of the state's cities.

The pool also offers group health, property and workers compensation insurance programs.

• Thirteen new members have joined Mr. Epps' MIRMA pool in the past year, increasing the membership to 38, he said. MIRMA has also received "serious" inquiries from 25 more public entities, he added.

MIRMA offers members a broad package of liability, property and workers compensation coverages, including public officials and police professional liability insurance.

Members must pay deductibles of \$1,000 for property coverage, and \$1,000 or \$2,500 for auto physical damage, depending upon the size of the vehicle. Liability coverages are written on a first-dollar basis.

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Umbrella form

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If, at any policy renewal, the retroactive date is moved forward from the first claims-made policy to the inception date of a new or renewing claims-made policy, coverage for bodily injury or third-party property damage that occurred before the retroactive date is excluded, even if a claim is filed within the policy period. That would create gaps in coverage between the expiring and new claims-made policies.

Under the ISO form, if an insurer moves the retroactive date forward from its first inception date of the first claims-made policy, the policyholder has an option to plug the coverage gap by purchasing an extended reporting period endorsement on the expiring policy, costing up to 200% of the expiring policy premium.

Mr. Wilson says he won't offer any such tail endorsement option,

since the policyholder has a verbal assurance that as long as the policyholder renews with Weavers, the retroactive date on its umbrella liability coverage will not be moved forward.

The ISO and Weavers forms differ on their exclusions for most pollution liability, including sudden and accidental pollution now covered under most comprehensive general liability policies.

The ISO form excludes all pollution liability except pollution from products/completed operations.

The Weavers' form excludes all pollution liability except pollution stemming from "specified perils," which are "unintended fire, lightning, explosion and overturning and collision of road vehicles."

Weavers has imposed this pollution exclusion in policies since the beginning of this year, Mr. Wilson added.

Weavers also will impose an aggregate limit on coverage for product liability exposures within the

umbrella policy and may add aggregate limits to other exposures, too. "Others are to be finalized," Mr. Wilson said.

The ISO policy includes two aggregate limits: one for products/completed operations and one for all other coverages.

Also, Mr. Wilson said, excluding coverage for punitive damage awards under the new umbrella claims-made form "may be looked at next," but probably not for Sept. 1 implementation. The ISO form doesn't exclude punitive damages.

"It has taken 12 months to position ourselves to introduce this form," Mr. Wilson said. "It will be a Weavers form, but we act as a leader for a large number of casualty risks," he noted.

In London, the lead sets the terms and conditions for all others signing onto a policy.

Most Weavers' policyholders currently have excess liability coverage written on an occurrence form, but have been notified that at

their next renewal date they will be moved to a claims-made form, Mr. Wilson said.

Mr. Wilson has traveled to the United States to inform U.S. policyholders of the change. But, no U.S. market sources contacted by *Business Insurance* had seen a copy of the proposed form.

Robert J. Redmond, a managing director of Marsh & McLennan Inc. in its New York office, said he would be in London this week to negotiate renewals under the new Weavers form.

Mr. Redmond, who handles drug and chemical company risks, said no one has been given copies of the new Weavers' form.

Under an occurrence form, an insurer is liable for any bodily injury or property damage that occurs during the policy period, regardless of how long after a policy's expiration date a claim is filed.

For example, many insurers that underwrote liability coverage on the occurrence form for asbestos

producers in the 1930s and 1940s were hit with claims stemming from asbestos-related injuries as late as the 1970s or 1980s, when the injuries were manifested.

This long-tail liability, which is created by all long-latent diseases, also has prompted many coverage disputes over when injury actually does occur and, therefore, what insurance policy should respond. However, under a claims-made form, an insurer is responsible only for claims filed during the policy period and relating to occurrences after any retroactive date. These restrictions reduce the long-term exposure insurers face under the occurrence form.

"It is absolutely necessary to produce a form that has clearer language because the insurance industry can no longer cope with the idiotic decisions of the U.S. courts with regard to occurrence," said Mr. Wilson. "So, there is no point in waiting until Jan. 1."

"This is a move to preserve the casualty insurance market. If we don't do something, there will not be any capacity available," he added. "The legal system is crucifying the insurance business."

It is likely Weavers will find support for its new umbrella claims-made form from Lloyd's of London's largest U.S. casualty underwriter, Robin Jackson, director of Merrett Syndicates Ltd.

Mr. Jackson and Weavers are considered the two leading insurers in London of North American casualty risks.

Because he has not seen the Weaver form yet, Mr. Jackson could not say whether he would adopt it. But, he says he agrees with many provisions of the Weavers' form, including the self-insured deductible, the retroactive date and the pollution exclusion.

But, Mr. Jackson said he has not decided how he would prefer to recognize underlying defense costs for triggering excess coverage.

"If the (Weavers) claims form is acceptable, I will support it," Mr. Jackson said, pointing out that he always has been a strong supporter of the claims-made form.

In fact, he says, "We were the first to support the claims-made form, not Mr. Wilson."

And, Mr. Jackson has told all his policyholders that their coverage will be written on a claims-made form by the end of 1985 and has already written excess coverage on a claims-made basis under an amended Lloyd's policy form.

Richard Hazel, chairman of Lloyd's Non-Marine Assn. and underwriter for syndicates managed by Three Quays Underwriting Management Ltd., stresses that the entire Lloyd's market—not just Weavers—is interested in a claims-made form. "We have been strong supporters of the ISO claims-made form more than Weavers organization," he said.

"There are a lot of people working hard to achieve a form," he added. "Work has been going on for the last 18 months."

Regardless of whose form is followed in London, "claims-made is inevitable," said John Woodson, managing director of the international division of broker Willis Faber P.L.C.

But, even if a claims-made form is used, he said he doubts all London insurers will be interested in U.S. liability risks because of the high cost of awards handed out by the U.S. civil justice system.

Brian Hibbert, chairman of C.T. Bowring Insurance Ltd., agreed that "claims-made is just around the corner."

He said clients also are realizing this, and some are talking about trying to cancel their occurrence policies now to have them rewritten on the occurrence form available today. Then, their occurrence coverage would last well into 1986. But, he added, "The market isn't allowing it."



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Special events

Continued from page 3
Philadelphia concert, but had not bound the coverage late Wednesday.

Special event underwriters have granted other discounts in the past. For instance, London underwriters wrote 5 million pounds of liability insurance for a fireworks display on the eve of Prince Charles' wedding in 1981 for a 1-pound premium.

Mr. Elliott said the market for special events coverage in London has tightened in the past months, noting that it is especially difficult to place liability coverage for events in open-air stadiums, like Wembley, following two soccer stadium disasters earlier this spring: a fire in a stadium in Bradford, England that killed more than 50 people (BI, May 20), and a riot in a Belgian stadium that killed 38 people.

"Underwriters have not been that keen on looking at risks which

'Underwriters have not been that keen on looking at risks which are in stadiums, particularly for liability. But I think underwriters are being kind on this (Live Aid) risk because it is for charity,' Mr. Elliott said.

are in stadiums, particularly for liability," he said. "But I think underwriters are being kind on this (Live Aid) risk because it is for charity."

Mr. Elliott termed the special event insurance market as "highly volatile."

"There is still a market and we are placing risks, but it gets harder every day because the companies we used to use a few years ago are not there anymore."

Other underwriters and brokers of special events coverage agree with Mr. Elliott. Rates for contingency risks—which include cancel-

lation and abandonment coverages, as well as "one of a kind" coverages like hole-in-one coverage—are sometimes more than 400% higher than a year ago, they say.

In addition, capacity is scarce for special event liability risks and rates have doubled in the past year, underwriters say.

As one London underwriter put it, "It's the normal story. Whereas you used to get \$100 million of coverage, now you get \$25 million."

For example, Lloyd's broker S.W. Taylor & Co. Ltd. could not find all the coverage requested by the organizers of the recent Grand

Prix auto races in Montreal and Detroit, whose liability insurance was packaged together.

The broker hoped to place \$200 million in coverage, but could only place \$150 million with Lloyd's and other London underwriters, said Stan Taylor, chairman of the brokerage.

"The big problem wasn't only that it was a motor racing event, but the fact that it was liability coverage in the States," added Roger Morris, director of S.W. Taylor and managing director of its international division.

"The current situation is worldwide now. The whole market is contracting. Even business that was placed 12 to 18 months ago is difficult to place now, be it sports or rock concerts," he said.

Another London underwriter said he had recently seen requests for liability coverage for several rock music concerts and "wished them luck on each one. What with drugs and alcohol and everything

else, I wasn't interested in writing," he said.

Organizers of special events that require contingency insurance are finding adequate limits for some types of coverages, though some other contingency risks are hard to insure.

Brokers say it is difficult to find more than \$100,000 in policy limits to insure a bonus given to an athlete, like a tennis player or race car driver, who wins a certain number of events.

For instance, last year London, U.S. and European insurers paid \$1 million to the International Tennis Federation after Martina Navratilova won tennis' "grand slam" and captured a \$1 million bonus. The policy cost the ITF \$100,000 (BI, June 18, 1984).

Now, "if the prize is low, like \$50,000 to \$100,000, then (coverage) can be placed. But with \$500,000 to \$1 million, it gets difficult," said Mr. Morris. "Once there are higher limits, underwriters are just not interested."

"We are getting back to realistic levels of coverage," said a Lloyd's contingency insurance underwriter. "Now, overnight, rates have skyrocketed and limits have shrunk."

"There are 300% to 400% rate increases just to get back to realistic levels again," the underwriter said, noting that many markets are no longer writing these risks.

The underwriter speculates that up to \$5 million on non-appearance coverage could possibly be placed for a performer like a rock star, though he said it's difficult to place more than \$500,000 of non-appearance coverage.

But special event underwriters are still writing some unusual risks.

Mr. Morris says a product manufacturer, which he would not identify, has placed insurance for a promotion in which five winning contestants will each select a professional golfer. If the golfer shoots a hole-in-one during a special exhibition, the contestant will receive \$1 million.

Mr. Morris says the coverage is costing the manufacturer \$75,000. "Last year, you could have bought it for half the price."

Herbicide suit

Continued from page 3
they have recovered, Mr. Branick said, adding, "Today they are well."

Mr. Branick said the workers' case was unusual because all worked at the same plant, which helped link their exposure to 2,4-D with their symptoms.

Mr. Branick said he did not know how many lawsuits involving exposure to 2,4-D are pending. However, he said there are many potential cases involving individuals whose symptoms have not been properly diagnosed.

He charged that manufacturers and suppliers of 2,4-D did not test the chemical adequately, and between 15,000 and 20,000 people may be suffering ill effects of exposure to the chemical that may have not been properly diagnosed.

A spokeswoman for Dow disputed the contentions that 2,4-D caused nerve damage or that there had been inadequate testing of the herbicide.

She said many studies by Dow, the federal government and others have shown no link between 2,4-D and nerve damage.

"There was extensive testing done on it," she said. "We stand by this and will continue to stand by the view that 2,4-D did not cause the workers' alleged ailments."

The spokeswoman also declined to disclose Dow's self-insured retention and insurance information, except to say that the amount is "financially adequately provided for."

And, she said she did not know how many people may have been exposed to 2,4-D nationwide.

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opinions

The truth, please

INSURERS THAT WANT to include defense costs within policy limits should be honest that there is one reason and one reason only to do so:

To cap insurers' liability for defense costs.

All the rest of the arguments for including defense costs within policy limits—how it will reduce the number of suits filed, shorten the length of trials, speed payment of money to claimants and reduce defense cost spending—are unfounded.

Merely including defense costs within policy limits will not achieve these desirable goals because, contrary to what the Insurance Services Office's arguments seem to imply, the fact is that very few policyholders are to blame for excessively high defense costs now.

Therefore, giving policyholders an incentive to control defense costs will not automatically give them the power to do so.

First, too many lawsuits without merit are filed by plaintiffs' attorneys. These lawsuits have to be defended.

Second, too few judges act quickly enough to dismiss groundless actions. Groundless or not, these suits have to be defended.

But, third, and most important to why including defense costs within policy limits will not reduce defense costs spending, is that policyholders are not now in charge of defense.

Sure, ISO can dredge up examples of policyholders

forcing the insurer to defend a claim the insurer preferred to settle or policyholders demanding defense counsel other than that chosen by the insurer.

But, generally, insurers recommend which cases to settle and which cases to defend at trial and policyholders accept the recommendations. Insurers generally hire the defense counsel and policyholders accept these attorneys. Insurers generally direct the defense counsel's actions and policyholders don't often interfere.

Therefore, to the extent that money has been wasted litigating claims that should have been settled, to the extent that defense spending has been wasted in litigation drawn out by the defense and defenses mishandled, we blame insurers and the defense attorneys they hire, not policyholders.

But, if insurers think that some policyholders have interfered in how the defense of claims and litigation has been handled to date when insurers were covering the costs outside policy limits, wait until they see how much control policyholders want when the cost of defense is coming out of their insurance limits.

Are insurers willing to give policyholders even more control over defense strategy and how much is spent on defense?

We don't think so.

Therefore, insurers should be candid about why they want defense costs within policy limits—they want to cut their costs.

letters

RIMS urges modifying the current CGL occurrence form

To the editor: I thought it appropriate, as president of the Risk & Insurance Management Society, to reply to James A. Robertson's comments on RIMS' opposition to the proposed commercial general liability formats (BI, June 24). Considering that many of RIMS' objections to the new CGL policy were based on the same problems cited by Mr. Robertson in his side-by-side comparison of the 1985 Insurance Services Office's CGL forms, I am somewhat surprised at his dismissal of the society's concerns.

Problems created for policyholders and potential claimants under the proposed CGL claims-made policy in such areas as coverage gaps, being locked into the insurer, increased potential for notification disputes between insurer and insured, the dysfunctional incentive for the insured to solicit claims against itself and the insurer, the potential use of laser endorsements to gut coverage, and the uncertainty of the tail purchase price for retrospectively rated policies, have been commented on extensively in the testimony of RIMS, New York Attorney General Robert Abrams and many other trade organizations and individuals.

RIMS is not, as Mr. Robertson implies, dismissing certain legitimate and compelling reasons ISO and the insurance industry cite as reasons for modifying the present CGL policy. RIMS is frustrated by ISO's contention that the legitimate problems the insurance community offers as reasons to change the existing CGL cannot be met through modifications of the present occurrence format.

Mr. Robertson accurately points out that expansive and often conflicting judicial interpretation of the present CGL has caused increased policyholder/insurer litigation. He has failed to mention that a great deal of litigation was between the

insurance companies themselves. The insurer community contributed to this legal morass whenever the individual insurer would argue different coverage triggers in different cases, dependent solely upon which policy interpretation would relieve it of the obligation to pay.

Mr. Robertson is correct in stating that this multitudinous coverage litigation presents a compelling reason to modify the existing CGL. However, ISO's new occurrence version does absolutely nothing to resolve the principal issue in the litigation, which is "when does injury occur?" and "what policy(ies) respond?" Significantly, even coverage under the proposed claims-made form is largely dependent upon the question of when injury occurs.

What, for instance, will be done under the claims-made form if part of the injury occurs before the retroactive date and part occurs after the retroactive date?

RIMS is not, as Mr. Robertson asserts, insisting upon an unmodified version of the present CGL form. We recognize the legitimacy of the problems with the present CGL that the insurers cite as reasons for change. However, the claims-made format does not address these problems, and creates a host of others for the policyholders.

If Mr. Robertson believes that claims-made is the panacea, or even substantial solution, for the industry's problems, a brief review of New York state's medical malpractice situation is in order. Not too long ago, the switch from occurrence to claims made by the industry was the "quick fix" solution in New York. The problems of malpractice insurance cost and availability have surfaced again. The viability of the claims-made approach as the path to insurer stability and solvency has not provided the solution.

The legitimate problems faced by the insurers and policyholders can be addressed within an occurrence policy format. RIMS believes the present CGL occurrence policy can be improved by incorporating the following modifications:

- With respect to occurrences that are not finite in time and place, we believe that specific wording should be included in the contract that would identify the point in time that coverage would be activated. We believe this decision criteria

should activate the most recent available policy.

- We believe one and only one policy year should respond to a single occurrence. With proper definition of the term "occurrence", the potential for stacking of limits should be eliminated.

- We recognize that the existing occurrence format permits unlimited insurer liabilities for multiple individual claims except for product liability cases, which currently have an aggregate limit of liability for all claims occurring within that policy period. Therefore, a "cap" on this unlimited exposure by including an aggregate policy limit or limits for the insurance coverage purchased may be a viable alternative.

- We recognize that the cost of unlimited defense appears to be creating a burden for the insurance industry, and therefore we agree that this area of cost should have some limitations within the policy language. However, we reject entirely the inclusion of defense cost totally within the aggregate limit of liability provided under the contract. Discussion in the areas of cost sharing, coverage floors or maximum limits, with the options to be selected by the insured, may be more responsive to the consumer.

- In recognition of the foregoing modifications, special attention should be given to wording that would specifically coordinate this modified occurrence policy with all previous liability policies, renewal or replacement policies and with concurrent excess layers.

In conclusion, RIMS and the insurance industry need not be locked into a zero sum game where any modifications to the existing CGL must result in the exclusive benefit of one party and the corresponding disadvantage of the other.

RIMS believes if such a modified occurrence policy is adopted, it will result in less consumer confusion, reduced policy litigation, and an equitable balance between the interests of the policyholder seeking adequate coverage, the insurer seeking solvency and legitimate profit, and the deserving claimant seeking just compensation.

P. Richard Hackenburg
President
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update

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Oregon amends criteria for assigned risk plan

SALEM, Ore.—Small employers in Oregon are getting a helping hand from the state Division of Insurance in obtaining affordable workers compensation insurance.

According to an order signed last month by Oregon Insurance Commissioner Josephine M. Driscoll, employers may not be placed in the surcharged assigned risk plan unless they have been turned down for coverage by three insurers, including the State Accident Insurance Fund.

"We were seeing the dumping of risks into the assigned risk plan for no reason, particularly small risks

with good experience records," said Larry Kibbee, executive assistant to the insurance commissioner.

According to the findings in the order, alternative lower-rated markets had been overlooked by insurance agents and policyholders.

"The State Accident Insurance Fund believes it can absorb approximately half of the assigned risk applicants into its standard-rated company. A few other insurers have expressed similar interest in soliciting these applicants as normal business," the Division of Insurance noted in its findings.

A listing of assigned risk applicants is available to insurers, Mr. Kibbee added.

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VDT legislation

SALEM, Ore.—Public employers in Oregon could have to meet purchasing specifications for video display terminals, if S.B. 57 is signed into law.

Gov. Victor Atiyeh, who has opposed the measure, will have 20 days after he receives the bill on his desk to veto the legislation or it will become law, an aide said.

The bill was introduced at the request of the Senate Interim Committee on Labor and will require the Accident Prevention Division of the Workers' Compensation Department to develop purchasing specifications by July 1, 1986, for public employers using VDTs.

The specifications will require that VDT work stations ensure correct posture and position, minimize eye strain and conform to any other provisions deemed necessary by the director of the Workers' Compensation Department.

The bill also requires the division to develop an education and consulting program for the private sector, said Sen. Margie Hendriksen, D-Eugene, who is chairman of the Senate Labor Committee.

The bill mandates that the consulting program include publications, conferences and worksite consultations on the health and safety effects of VDTs.

The legislation was based on the recommendations of a special legislative committee composed of labor and industry representatives and legislators who were assigned in 1983 to study the issue.

New supervisor

OLYMPIA, Wash.—After a five-month search, Allen Ziegler is the new supervisor of industrial insurance in Washington.

Mr. Ziegler, who joined the Department of Labor and Industries in April as the assistant director of the Building and Construction Safety Inspection Services Division, replaces Rick Slunaker, who left the position as supervisor of industrial insurance in January.

Before joining the department, Mr. Ziegler was a program analyst for the state's Office of Financial Management. While there, he also served as staff director for the governor's task force on industrial insurance in 1984.

Mr. Ziegler said one of his first priorities will be to concentrate on increasing the department's responsiveness to the public and business, which have been noted as being deficient by various studies of the department.

Mr. Ziegler has an engineering degree from the U.S. Military Academy in West Point, N.Y., and has a human services management degree from the University of North Carolina.



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Dayton Hudson names Doolittle director of risk management

comings & goings: buyers

Karen Doolittle, 41, has been named director of risk management for the Dayton Hudson Corp. in Minneapolis. She replaces William Cain, who is now vp and general manager of the James F. Freeman Co., an insurance brokerage in Providence, R.I. Ms. Doolittle is responsible for the design, purchase and administration of property/casualty insurance programs, including loss control and safety programs. She reports to Tony



Ms. Doolittle

Shull, senior vp of finance. Previously, Ms. Doolittle was vp and corporate risk manager for First Bank Systems Inc. in Minneapolis. She received a bachelor of business administration degree from the University of Texas at Arlington in 1966 and a master's degree in business administration from the University of Dallas in 1971.

Judy Sanders, 28, has joined BellSouth Corp. in Atlanta as staff manager of casualty insurance. In this newly created position, Ms. Sanders is responsible for the in-

urance and risk management programs for the non-property risks of BellSouth and its subsidiaries. She reports to Richard H. Bagley, BellSouth's risk manager. Previously, Ms. Sanders was assistant staff manager in the customer services department for Southern Bell Telephone Co. She received a bachelor of arts degree in business administration from Wesleyan College in Macon, Ga., in 1979.

Robert C. Conner has joined Koppers Co. Inc. in Pittsburgh as assistant manager of corporate insurance services. In this newly created position, Mr. Conner will assist in the development and administration of Koppers' corporate insurance program. He reports to Ronald J. Parry, manager of corporate insurance services. Previously, Mr. Conner was risk manager for LTV Steel Corp. in Cleveland. He received a bachelor of science



Mr. Conner

degree in education from Duquesne University, located in Pittsburgh, in 1953.

James D. Alford, 39, has been promoted to director of corporate risk management for Moore McCormack Resources Inc. in Stamford, Conn. He replaces Peter W. Carlson, who is now a vp in the marine insurance department of Johnson & Higgins in New York. As director of risk management, Mr. Alford will be responsible for the design, purchase and administration of all corporate insurance programs. He also will serve as chairman and president of Moore McCormack Insurance (Bermuda), the company's Bermuda-based captive insurer. He reports to Donald Beck, vp of administration. Previously, Mr. Alford was manager of insurance at Moore McCormack and will retain those responsibilities. He received a bachelor of arts degree in economics from State University of New York in 1972. He also received a master's degree in business administration, specializing in finance, from Duke University in Durham, N.C., in 1974.

Herman N. Cohen, 36, has been promoted to senior vp of personnel at The Home Insurance Co. in New York. He replaces John Russell, who resigned. Mr. Cohen is responsible for all personnel activities for the corporation and its field offices, including the supervision and administration of all welfare and pension plans. He reports to Steven H. Newman, president. Previously, Mr. Cohen was vp of corporate personnel and will retain the responsibilities of that position. He received a bachelor of arts degree in psychology from Brooklyn College in 1970 and a master's of science degree in educational administration from Hofstra University in Hempstead, N.Y., in 1975. In addition, Mr. Cohen is a doctoral candidate in industrial relations at Pace University in New York.

We'd like to report on staff changes in your company's risk management, safety or employee benefits department. Just drop a note to Diane Kastiel, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611, or call 312-649-5393. In addition, please send a photograph as well.



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Gould Corp. captive forms N.Y. exchange syndicate

markets

The third new syndicate to join the New York Insurance Exchange this year—Meadows Syndicate Inc.—is open for business.

Meadows Syndicate is owned by The Meadows Indemnity Co. Ltd., a Guernsey-based captive insurer owned by Gould Corp. of Rolling Meadows, Ill. The syndicate is primarily writing treaty reinsurance for U.S. property risks.

The syndicate, capitalized at \$3.55 million, is managed by Azimuth Underwriting Managers Inc., says James R. Mascarella, president of the syndicate and vp of corporate insurance at Gould.

"We're very excited about joining the exchange at this time," said Mr. Mascarella. "The industry should be entering a more positive cycle during the next two or three

years, and we're happy to be a part of it."
 There are currently 49 syndicates approved to conduct business on the New York exchange.

Bermuda underwriter

Johnson & Higgins' captive management subsidiary in Bermuda, J&H Ltd., is forming the Victoria Underwriting Agency, J&H officials confirm.

Brian R. Hall, president and chief operating officer of J&H Ltd., said that J&H "is in the process of incorporating" the agency, and a formal announcement on when it will begin operating is expected this week.

Mr. Hall confirmed that A.W. Hunt, formerly director and vp of Pearson Webb Springbett (Bermuda) Ltd., which has closed its Bermuda office, would take a position with the new agency, but he did not say in what capacity.

Mr. Hall would not comment on reports in Bermuda that Victoria was being formed by J&H to write international property reinsurance on behalf of captive insurance companies with capacity of about \$2 million.

Life, LTD insurer

Connecticut Mutual Life Insurance Co. in Hartford, Conn., and Standard Insurance Co. in Portland, Ore., have formed a joint venture company to underwrite group life and long-term disability insurance.

The new company, which is called GroupAmerica Insurance Co., will have its administrative offices in Portland.

The venture will be capitalized at \$15 million, with Connecticut Mutual and Standard Insurance each contributing \$7.5 million. Underwriting operations are expected to begin sometime during the fourth quarter of this year.

The new company will assume the charters of Connecticut Mutual's CML Pension & Life Insurance Co. subsidiary.

Initially, the company will have about 150 employees, according to a spokesman for Connecticut Mutual, and eventually GroupAmerica will employ about 300 people.

Company officials say development of a marketing center is planned, but they have not yet decided on a location.

Intermediary opens

A new company, Saturn Reinsurance Intermediaries Ltd. has opened in Chicago as an intermediary for domestic and international treaty reinsurance programs.

The firm is headed by John J. Norton, former president of Stewart Smith Intermediaries, who now holds that post with Saturn.

Saturn is located at 33 N. Dearborn St., Chicago, Ill. 60602; 312-236-4303.

New name

Excess & Treaty Management Corp., the New York-based reinsurance management subsidiary of The St. Paul Cos. Inc., has changed its name to St. Paul Reinsurance Management Corp.

"The name change reflects the financial strength and firm commitment of The St. Paul Cos. to provide the insurance industry with a strong and experienced reinsurance market," says Richard Hopkins, president and chief executive officer of the unit.

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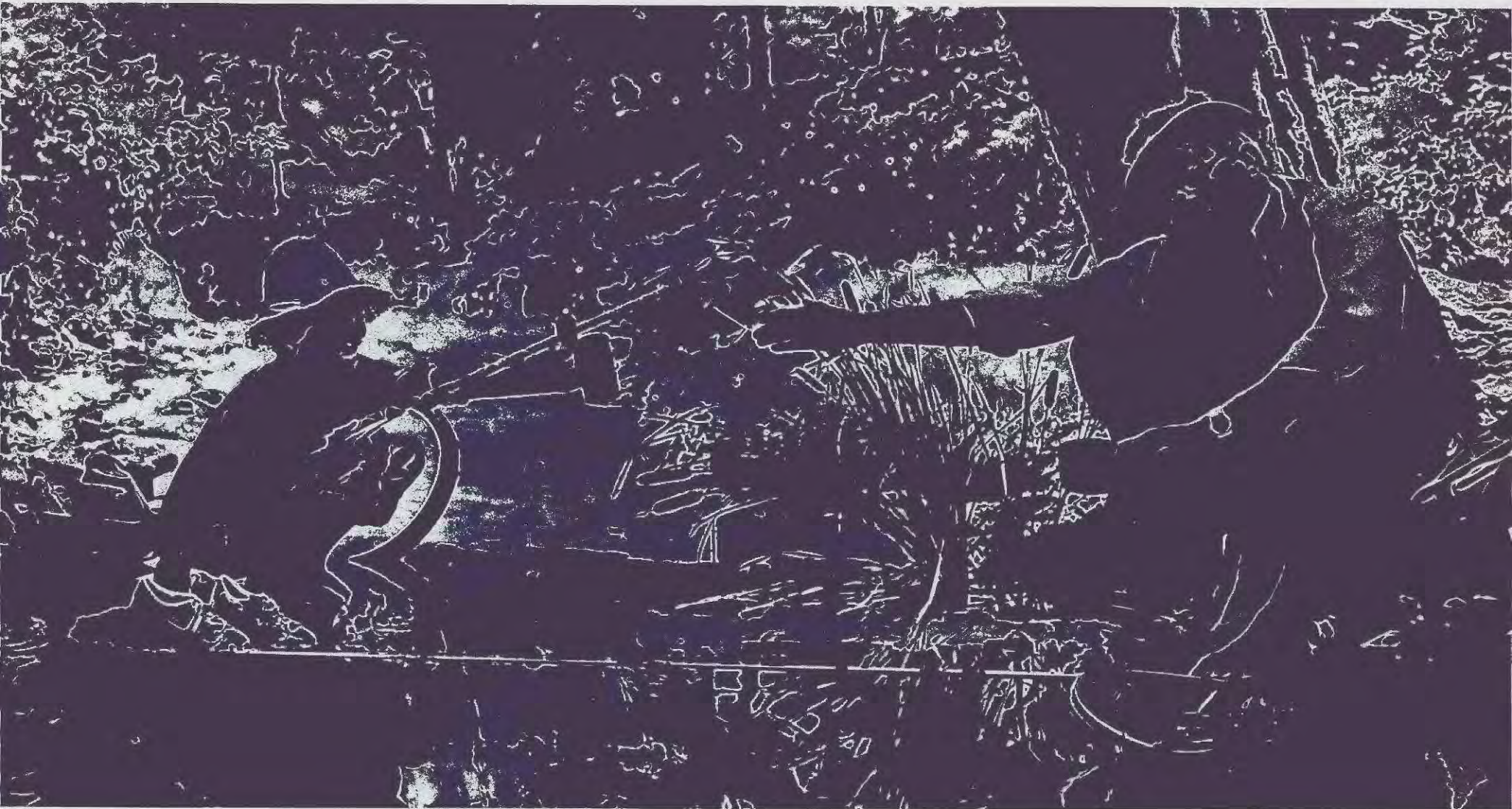
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CIGNA

Monte Carlo

Continued from page 3

McDonald said. "It's a greater benefit to be smaller. You get to talk to more people. You keep running into the same people. We're able to keep it more personalized."

All meetings will be held at the Monte Carlo Convention Center and the Loews Hotel.

An exhibit of insurance and risk management products, which Mr. McDonald said has been expanded since the 1983 conference, will begin Oct. 6 in the hotel's Grand Salon Foyer and continue throughout the event.

Companies that will have exhibits include: Alexander & Alexander Services Inc. and affiliated company Cacar S.G.C.A. (in a separate booth); Johnson & Higgins (under the UNISON banner); SOS International; Roux S.A.; Frank B. Hall International; Expertises; Galtier; Tillinghast Nelson & Warren Inc.; Corroon & Black Corp.; CIGNA Corp.; Marsh & McLennan Inc.; Cook & Miller International; Europe Assistance; and Thilly Van Eessel.

Following welcoming remarks the morning of Oct. 7, a keynote address will be given by Yvette Chassagne. Mme. Chassagne is chairman of Union des Assurances des Paris.

The opening session will focus on "Industry in the '90s." Moderated by conference co-chairman Jean Claude Cusset of Societe Nationale Elf Aquitaine and Compagnie Nationale de Navigation (France), the discussion will examine the industry's future and how the practice of risk management will be affected.

Speakers will include Bernard Delapalme, Council for Innovation, Elf Aquitaine Group (France); P.

Richard Hackenbourg, staff vp and assistant treasurer, Allegheny International (U.S.); and Rolf Tolle, vp-Reinsurance Department, Storebrand-Norden Reinsurance Co. Ltd. (Norway).



Mr. Hackenbourg

Several workshop-type mini-seminars will be held on Monday, and they will be repeated a second time. Topics and speakers will include:

- "American Risk Management," which will explore the ins and outs of the U.S. insurance markets and service providers. Speakers will include David Kuhnke (moderator), director of risk management, The Stanley Works; and Denis Julien, manager, corporate insurance, GenCorp.

- "Product Integrity Impairment: Recall and Consequential Loss," which will explore risks that are prone to loss and what a company can do to protect itself.

The speakers will include Stanley King (moderator), director-corporate risk management, Kellogg Co. (U.S.); and Arthur Erickson, senior vp, Johnson & Higgins (U.S.).

- "Data Center Protection" will focus on how to safeguard hardware and manage software risks like unauthorized access, industrial espionage, etc.

Speakers will include Bernard Amory, Assistant au Centre de Recherches Informatique et Droit de Namur, Avocat au barreau de Bruxelles, Faculte Universitaires Notre Dame de la Paix (Belgium); Anne Finet, chef de projet, Responsable Departement Audit et Securite, Centre Informatique Generale/Business Systems (Belgium); and Faith Lamberts, vp, Antistics and Alexander & Alexander Services Inc. (U.S.).

- "Business Interruption Insurance," which will trace a business interruption claim through two commonly used forms.

Speakers will include Louis Tummers (moderator), risk man-

ager, I.C.S. Group P.R.B. (Belgium); David Taylor, Gaebel Watkins & Taylor (U.K.); and William O'Connell, director-business interruption services, Touche Ross & Co. (U.S.).

- "Mergers/Acquisitions/Divestitures and New Ventures: Justifying Loss Control Expenditures," which will focus on ways to convince management that risk managers should be among the first to know, and on how to analyze outstanding liabilities and cover.

Speakers will include A.W. van Blittswijk (moderator), insurance-risk manager, Unilever, N.V. (Netherlands); conference co-chairman Mr. McDonald, who is risk manager-foreign administration for United Technologies Corp. (U.S.); and John Marckx, managing director, Kruller & Co. Assurantiën B.V. (Netherlands)

- "Justifying Loss Control Expenditures," which will discuss how to justify costs that might ultimately protect the company from

loss, and techniques to evaluate the alternatives and communicate with operational management.

Speakers include Simon Groot (moderator), managing director, Kamerbeek Assurantie Makellars BV (Netherlands); M.J.M. Olsthoorn, deputy director, Akzo Insurances BV (Netherlands); and James W. Smirles, director of marketing, Kemper Group (U.S.).

- "Introduction to Management of Risk and Insurance," which will allow beginning part-time risk managers to study risk and insurance management as a practical art and science of preventing losses and funding internally.

Speakers will include Dr. George L. Head (moderator), vp, Insurance Institute of America (U.S.); Norman Bennett, special director, insurance, Smiths Industries Ltd. (U.K.); and Francois Settembrino, directeur, Tabacofina S.A. (Belgium).

- "Status of the Environmental Impairment Liability Insurance

Market," which will address the question of whether adequate coverage is readily available and what markets exist.

Speakers include Tom Lewison (moderator), corporate risk manager, Degussa Corp. (U.S.); Dr. Jur Jürger Brenzel, Haftpflichtverband der Deutschen Industrie V.A.G. (West Germany); Dr. Rer. Nat. Peter Everts, Gerling Institute for Loss Research and Loss Prevention (West Germany); and Eugene R. Anderson of the law firm of Anderson, Russell, Kill & Olick (U.S.).

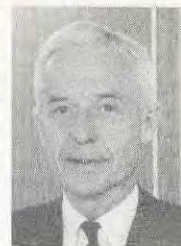
- "Effective Use of Consultants: How and Why?" which will discuss how to work with an outside consultant from start to finish and what information must be ex-

changed.

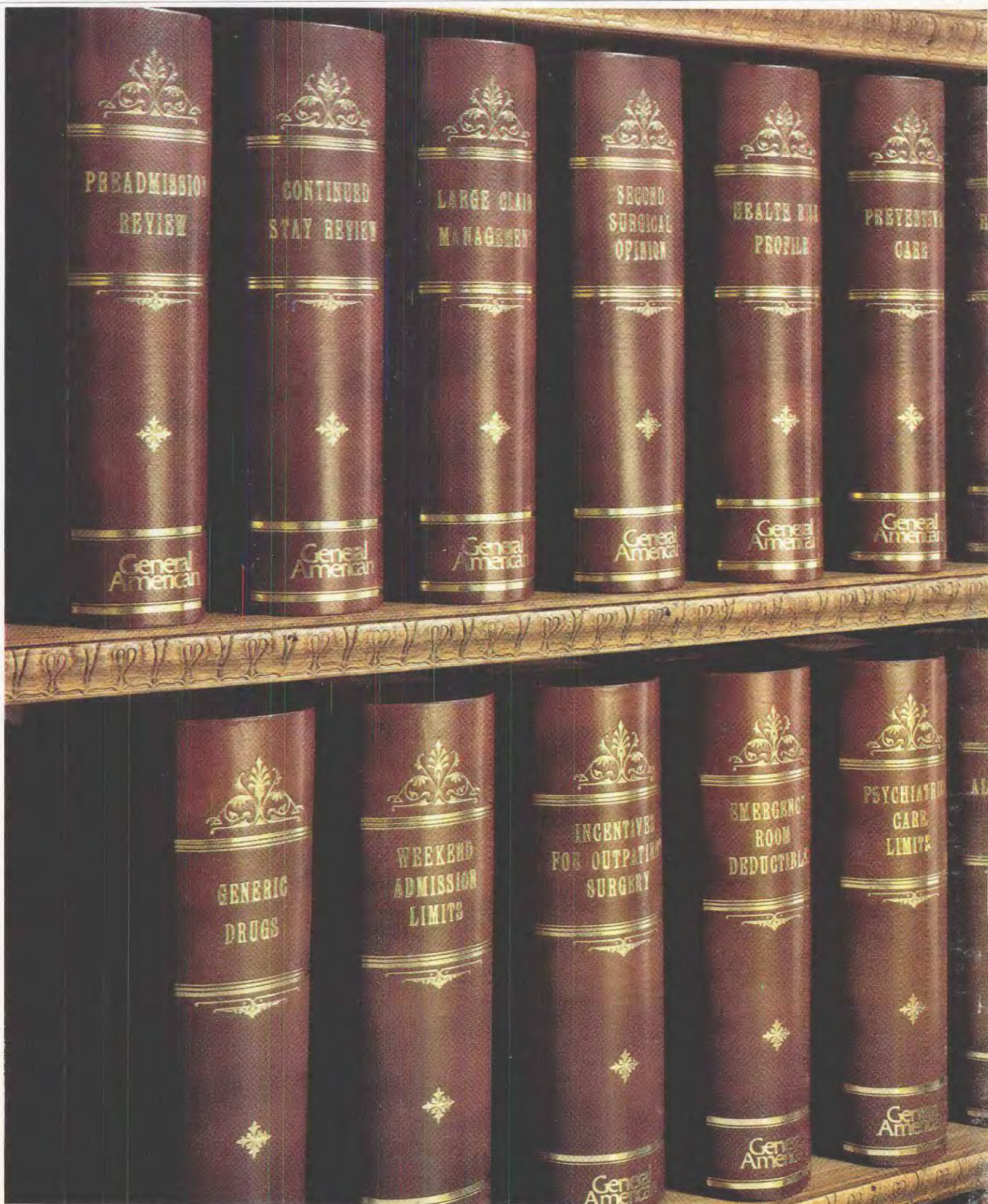
Speakers include Laura Hirkley (moderator), director of risk management Avery International Inc. (U.S.); and Hugh Taylor Page, risk manager, Merzario S.P.A. (Italy).

Participants also can attend concurrent sessions on Oct. 8. "Emerging Risks: The Future is Now," will explore workplace exposures, kidnap and ransom coverage; credit and currency risks; and directors and officers liability. The factors that accelerated the emergence of these risks and their long- and short-term effects will be discussed by a panel moderated by Dr. Dieter Farney, professor, Institute of Studies of Insurance, University of Cologne (West Germany). Speakers include Dan C. Jorgenson, vp-risk manager, Citibank, N.A. (U.S.); Christian Meyer, vp, Zuerich Insurance Co. (Switzerland); and Oliver Leigh Wood, director, Control Risk Ltd. (U.K.).

Continued on next page



Mr. Anderson



Continued from previous page

A session on "Better... Or Just Different?", a comparison of risk management techniques in the United States and Europe, will be moderated by John F. O'Sullivan, managing director, Marsh & McLennan (U.S.).

Speakers for the session will include William Quinn, assistant vp, manager of insurance Phibro Salomon (U.S.); and Bertus Kik, A.E.A.I. (Netherlands).

"Legal/Tax Constraints," which will explore current and proposed laws governing the placement of insurance in European countries and elsewhere, will be moderated by Edith F. Lichota, senior vp-risk management division, Irving Trust Co. (U.S.). On the panel will be Reginald E. Beane, vp-marketing, Albany-Atlas Cos. (U.S.); and Dr. Jur Wolfram Rohde-Liebenau, insurance manager, Siemens AG (West Germany).

Industry sessions, designed to provide risk managers in the same

or similar industries with an opportunity to focus on concerns unique to their operations, will be offered Oct. 8. Sessions and group leaders include:

- Aviation/aerospace, Dr. Jur Ulf Pinckernelle, Gebrueder Krose (West Germany).

- Automotives, Giampiero Profumi, risk manager, Alfa Romeo SPA (Italy).

- Communications, Peter Drummond, vp, member of executive committee, SWIFT (Belgium).

- Construction and engineering, Sam Stone, corporate risk manager, HCB Contractors, (U.S.).

- Food, drink and packaging, Alex Chrzanowski, group insurance manager, Rowntree MacIntosh P.L.C. (U.K.).

- Metals and mines, Peter Cleyn, risk manager, Alcan Aluminium Ltd. (Canada).

- Oils and petrochemicals, Francesco Petrini, direttore immobiliare, Total SPA (Italy).

- Pharmaceuticals, E.C.

Widmer, risk manager, Hoffman LaRoche (Switzerland).

- Transportation, M. Schoemaker, insurance risk manager, SHV Nederland NV (Netherlands).

Three concurrent sessions will be offered Oct. 9. "Risk Management Information Systems: Expectations, Theory and Practice" will be examined by Michael R. Vogler, international insurance manager, R.J. Reynolds Industries Inc. (U.S.); and R.L. Brown, manager-insurance services, European Risk Management Ltd. (U.K.).

"Survey Results," which will focus on preliminary findings of the recent AEAI member survey, will be moderated by Hugh R. Loader, group insurance manager, Tetra Pak P.L.C. (U.K.). Speakers will include H. Felix Kloman, principal consultant, Tillinghast Nelson & Warren Inc. (U.S.); and Jacques Charbonnier, Consultant en Gestion des Risques (France).

"Insurer Insolvency: The Ultimate Risk?" will be moderated by

John N. Havers, insurance manager, Dunlop Ltd. (U.K.). Speakers include Jean Marie Bioul, managing director, Henrijean & Cie, S.A. (Belgium); and Bruce Howson, president of CIGNA Worldwide Inc.

The address closing the conference will be presented by Maurice R. Greenberg, president and chief executive officer of American International Group Inc. (U.S.). Mr. Greenberg's remarks will focus on the state of risk management worldwide.

Translation for the opening session and concurrent sessions will be offered in English, French, German and Italian.

The fee to attend the conference is \$420 (4,200 francs) for risk managers, and \$550 (5,500 francs) for others. Pre-registration for conference seminars is required.

For more information or to register, contact Marilyn Maffucci at RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

Additional listing of agent/brokers

The following companies were inadvertently omitted from the directory of agents and brokers in the June 24 issue. *Business Insurance* regrets the omissions.

ISU/O'Shea, Berhau Inc.

95 Front St., Hempstead, N.Y.
11550; 516-485-6200

	1984	1983
Premium volume...	\$5,500,000	\$4,000,000
Gross revenues...	\$802,000	\$675,000
Brokerage: retail...	90%	90%
Wholesale...	5%	5%
Personal lines...	5%	5%
Employees...	20	16
Offices...	2	1

Year founded: 1975.

Brokerage: 90% commission; 10% fee.

Branch offices: Lake Success, N.Y.
Principal officers: Philip J. O'Shea, president; Zachary Berhau, senior vp; T. Roger Eltringham, vp; Ethna O'Shea, treasurer.

Licensed excess/surplus broker in: New York.

Morris & Mackenzie Ltd.

4141 Sherbrooke St. W., Montreal,
Quebec H3Z 1C1; 514-937-5755

	1984	1983
Premium volume...	NA	NA
Gross revenues...	\$8,800,000	\$7,700,000
Brokerage: retail...	70%	70%
Personal lines...	30%	30%
Employees...	168	155
Offices...	4	4

Year founded: 1939.

Brokerage: 90% commission; 10% fee.

Acquisitions: The Harbord Co., Vancouver, British Columbia; Dominion Mutual Insurance Brokers, Toronto; both purchased.

Branch offices: Toronto; Calgary, Alberta; Vancouver, British Columbia.

Subsidiaries: O. LeBlanc & Fils Ltee. and Morris & Mackenzie Management Ltd., Montreal.

Parent company: Mackmor Ltd.

Principal officers: Frank Dougan, president/chief executive officer; Alan L. Drumm, senior vp/director; Robert J. Burn and Donald W. Lambie, vps/-directors.

National Insurance Agency

4209 S. Alameda, P.O. Box 6750,
Corpus Christi, Texas 78411;
512-993-6700

	1984	1983
Premium volume...	\$4,875,626	\$4,410,657
Gross revenues...	\$813,073	\$785,897
Brokerage: retail...	80%	80%
Wholesale...	2%	2%
Personal lines...	15%	15%
Invest. income...	3%	3%
Employees...	18	17
Offices...	1	1

Year founded: 1965.

Brokerage: 100% commission.

Principal officers: Robert E. Harris, president; John McFall, Scot Oshman and Howard Schlegel, vps.

Social Security finances improve

WASHINGTON—The financial condition of the Social Security retirement and disability income trust funds continue to improve.

Revenue paid into the trust funds should exceed benefit outlays by \$6 billion during fiscal year 1985, the Social Security Administration says.

This expected surplus is a dramatic turnaround from the early 1980s when benefit payments were exceeding revenues and the trust funds were headed toward bankruptcy.

But the financial condition of the program—funded by payroll taxes paid by employers and employees—improved after Congress in 1983 voted to accelerate future schedule payroll tax increases. That tax is now 7.05% of the first \$39,600 of an employee's wages.

In 1984, the number of beneficiaries increased to 36.3 million, up from 35.9 million, and is expected to increase to 36.9 million this year, the administration says.

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FAULTY PROTECTION

Current insolvency laws insufficient and in need of reform

By Albert B. Lewis

CURRENT STATE insurance insolvency laws are inappropriate and are insufficient to respond to contemporary problems involved in the rehabilitation and liquidation of an insolvent insurer. State uniform insolvency laws mandate the appointment of the insurance regulator of the insolvent insurer's state of domicile as the rehabilitator or liquidator. The venue for the insolvency proceeding is, therefore, the courts of the domiciliary state.

In the insurance industry today, small rural states, as a revenue-producing policy, offer a non-restrictive statutory and regulatory climate to attract insurers. Among the insurers that domicile in these states are smaller, speculative entrepreneurs that use this regulatory climate to obtain immediate cash flow at the expense of a sound and viable financial structure that will pay future claims.

The large conglomerate holding companies use these lax regulatory and statutory environments as a safe harbor, to further their conglomerate purposes through intercompany manipulations and transactions. The problem of an ineffective regulatory climate is compounded by understaffing and underfunding. This is in furtherance of revenue yield.

These rural states usually lack local commerce, industry or population to generate premium income. Therefore, these domiciled insurers rely upon other states for their premiums. These out-of-state premiums are obtained by acting as an excess and surplus lines insurer or by obtaining a license in states with the commerce and population to generate premiums.

When an insolvency occurs with the regulator of the state of domicile as the administrator, several inequities and inconsistencies result.

First, the selection of the very regulator whose primary regulatory responsibility was to prevent an insolvency is rewarding the regulator's failure with the power and patronage of an insolvency administration.

If this regulator's office lacked the ability to properly regulate the insurer to prevent or detect the insolvency, then how can it properly administer the multimillion-dollar insolvency?

Although insolvencies can occur in states having the most effective regulatory posture, the speed with which an insurer's insolvency is discovered and controlled will determine the extent of the insolvency. In my five years as superintendent of insurance in New York state, no insurer ever came into my office to request termination or restriction because of its insolvency. Only effective regulatory action by an insurance department to discover the insolvency and terminate the insurance assumptions will mitigate the insolvency aspect.

An underfunded, undermanned and lax regulatory climate permits an insolvency to grow undetected. In small rural states, the consequence of an insurance commissioner terminating or restricting an insurer—a loss of jobs, commerce and revenue—can further delay the necessary rapid regulatory response.

States selected solely for their weak regulatory posture usually have the fewest resident policyholders and claimants. Their regulatory delay in acting will have the least effect upon their resident policyholders and claimants. In addition, their court's approach to the insolvency proceeding could be more concerned with the state's own pecuniary benefits in administering the insolvency than with the welfare of other state's policyholders and claimants.

In a federal bankruptcy action, recognition is given to the theory that those creditors most affected should have a continuous and important role in the insolvency proceeding. The contrary usually prevails in an insurance insolvency.

In all insolvencies, there should be an objective review by the administrator to determine the cause of the insolvency. There should be an evaluation of claims against officers and directors in the case of a fraudulent insolvency, an evaluation of possible criminal

complaints and civil litigation. The small, poorly staffed and underfunded regulator cannot perform this function properly, and may be reluctant to point a finger at the cause of the insolvency if it means pointing to the regulator's office or to a prominent citizen of that state.

Although state insolvency statutes uniformly give the regulator of the insolvent insurer's state of domicile the power to act in an insolvency, state statutes providing guaranty funds for unpaid claims are not uniform. The trigger of these guaranty funds to respond to unpaid claims could vary from an order of insolvency, to an order of rehabilitation to a final order of rehabilitation to an order of liquidation. The triggering order is that of the court of the state of domicile of the insolvent insurer. Therefore, the out-of-state policyholders' and claimants' rights are once more controlled by this court of domicile.

The state court of the domiciled insolvent lacks broad interstate jurisdiction to determine many ancillary and essential matters in the insolvency.

For example, in each state of licensure of the insolvent where deposits or letters of credit were a condition of licensing, ancillary proceedings are begun by the regulator in the state court of licensure.

If the insolvent insurer is a subsidiary of a

'When an insolvency occurs with the regulator of the state of (the insolvent insurer's) domicile as the administrator, several inequities and inconsistencies result.'

conglomerate that is itself bankrupt, then the conglomerate's proceeding in the federal bankruptcy court will continue separate from the insurance insolvency proceeding. The manner in which they will interact is up to the personalities of the parties and the courts. There is no law governing their cooperation or interrelationships to protect the policyholders, claimants or the public.

The insolvent insurer's domiciliary and the federal court have no statutory authority to deal with all of these proceedings in a single forum. These multiple proceedings are more costly and inefficient than they would be if they were brought in a single jurisdiction with appropriate power over all relevant proceedings.

The only two choices available to the state courts and the administrator are liquidation or rehabilitation.

The rehabilitation powers are limited to a six-month stay of all litigation or, upon a proper showing, additional stays pending a decision on whether to rehabilitate or liquidate.

In rehabilitation, the best that can be hoped for is the raising of additional capital to relieve the insolvency and to provide sufficient capital to continue as an insurer. The opportunity for rehabilitation is dependent on another entrepreneur putting capital into the insurer. In most proceedings, this road has been actively and unsuccessfully pursued by management prior to the insolvency petition.

An insolvent insurer could be turned into an investment venture if the court were empowered to give some financial incentives to an entrepreneur. Without this power, most insolvencies end in liquidation.

And, liquidation payments to policyholders usually are too little, too late.

The general creditors of a liquidation include policyholders, claimants, guaranty funds, tradesmen, professional fees, rent, etc. As a liquidation proceeds with the conversion of assets into cash or liquid securities, the claimants and policyholders are not paid for an extended period of time. They are left on their own to defend or pay claims and await a liquidator's accounting to reimburse them.

The first partial interim accounting takes place at

least four years after the liquidation order. The percentage paid in an interim accounting to policyholders or claimants varies with the type of policy coverage issued by the insolvent.

In casualty coverage, the exact number of claims is not known until the statute of limitations has run out. If the casualty coverage has a long-tail liability, such as medical malpractice or products liability, then the time to determine all of the claims may be 10 years or longer after the end of the policy period, depending on the relevant statutes of limitation. In these cases, the liquidator will not make any significant interim accounting and payment until at least eight or 10 years after the liquidation order.

During the liquidation, all the insolvent insurer's assets are invested and earning interest. The assets of the insolvent insurer will be growing while its liabilities will be unpaid and fixed. In time, these asset increases may even wipe out the insolvency deficit.

The unpaid claimants, policyholders and creditors will receive no benefit from these asset increments. These unfortunate victims of the insolvency will be forced to pay their unpaid insured claims, or they will be forced to pay for defending any suit brought against them and pay any judgments against them.

During this interim, the liquidator literally will be wallowing in funds from its portfolio earnings. When a partial accounting payment is made, it will be too late and too little to help the policyholders or the claimants. In the long period between the insolvency and the payment in a partial accounting, the policyholder or claimant may, themselves, have become insolvent.

Proper federal legislation is needed to permit the relief of policyholders, the most victimized people in a liquidation. This legislation should provide for the reorganization, rehabilitation or insolvency by the insurance commissioner of the state with the highest exposure of unpaid policyholder claimants.

An insurance regulator should control the proceeding because of the need for insurance expertise in handling a complex insolvency.

The selection of the state insurance regulator with the highest state claimants to direct the reorganization means the administrator will be from the state with the greatest interest in the plight of the unpaid policyholder.

In addition, the court should be empowered to approve a proposed plan of the state regulator to rehabilitate, liquidate or reorganize the insolvent insurer with a prorated reduction in liabilities, a structured payout of these liabilities over a period of time that will help the policyholder and claimant.

Such legislation would significantly reduce the administrative and bureaucratic costs involved in multiple state actions. It also could provide a single federal venue for claimants covered by a guaranty fund to petition for an appropriate order to trigger the benefits of their state funds.

An example of the inadequacy of the current state laws is best illustrated by the insolvencies of six life insurers wholly owned by Baldwin-United Corp. National Investors Pension Insurance Co., National Investors Life Insurance Co. and Mount Hood Pension Insurance Co., domiciled in Arkansas, and National Equity Life Insurance Co. Inc., S&H Life Insurance Co. and University Life Insurance Co. of America, all domiciled in Indiana, were respondents in a petition dated July 13, 1983, by the Arkansas and Indiana insurance commissioners in their respective courts for

Continued on next page

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State insolvency laws are in need of reform

Continued from previous page

an order of rehabilitation of their domiciled insurers.

The total policyholder liability for the companies was more than \$4.63 billion, representing mostly single-premium deferred annuities. The Arkansas and Indiana insurance departments are among the smaller state insurance departments in terms of staff and funding. The six companies were the largest in the country writing single-premium deferred annuities.

They all were involved in intercompany financial transactions that they called reinsurance and retrocessions, but there was no real risk transfer out of these commonly owned companies. These fund transfers were to respond to management's plans for tax avoidance and to fund their parent conglomerate's acquisitions.

The transfers eventually resulted in some \$926 million investment in Baldwin-United subsidiaries for these six insurers' portfolios.

In the transfer, the funds were moved between the Arkansas and Indiana insurers. In the rehabilitation proceeding, the two states decided to handle the six companies' rehabilitation as a single pool and not untangle each of the intercompany transactions. This decision was based on the rehabilitators' belief that if these transactions were unraveled, it would be inequitable and disadvantageous to some of the policyholders and it also would result in complex and uncertain counterproductive litigation between the rehabilitators.

Neither rehabilitator nor state court considered the cost and saving or the productivity of having one rehabilitator instead of two, and thereby avoiding duplication of work. In the interest of maintaining each state's right to the patronage and power of this large, multibillion-dollar proceeding, the policyholders' and claimants' rights were subordinated.

Both states' proposals of rehabilitation were opposed by several parties recommending modification; however, the courts of both issued identical orders approving the rehabilitation plan.

While these rehabilitation plans were approved, a rash of lawsuits arising out of these insolvencies were instituted. A federal bankruptcy action was instituted against the Baldwin-United parent. Class actions were instituted in the federal courts against brokers and agents who marketed the policies.

In the class action, six state guaranty associations intervened to oppose a proposed settlement by the stockbrokers-agents. These associations intervened almost 18 months after the suit was begun, alleging that the settlements were insufficient and that these state guaranty associations could be liable for any losses suffered by their residents.

In 12 states where the Baldwin-United life insurers were licensed, ancillary actions were commenced by these state regulators to take possession of any deposits and letters of credit held in these states.

Arkansas and Indiana policyholders of these companies are the fewest in number and the smallest in dollars of liability. The rehabilitation orders of Arkansas and Indiana were interlocutory orders and not the final orders of rehabilitation that would have triggered many of the states' guaranty associations to pay policyholder claims. Because the orders were interlocutory and not final, the rights of those out-of-state policyholders to be repaid their losses by their state guaranty funds were held in limbo.

Ninety-five percent or more of the \$4.63 billion in policyholder liability represented single-premium deferred annuity policies, and many of these policyholders were retired or elderly people, to whom these policies represented their life savings. The anxieties of these policyholders could have been removed by payments from their state guaranty funds.

In the Baldwin-United bankruptcy proceeding, the Internal Revenue Service has indicated a joint and several liability of Baldwin-United and its subsidiaries of some \$400 million. In addition, it is alleged that the intercompany transactions by the six life insurers may have increased the tax liability of some of the companies by disqualifying them as life insurers.

The rehabilitation called for in the Indiana and Arkansas orders was not really a rehabilitation, but

was in reality a liquidation that delayed for a period of 3½ years the payment or redemption of the single-premium deferred annuities. The restriction of policyholders' ability to redeem their policies for 3½ years gave the regulators the opportunity to accumulate the interest earned over 3½ years and to use it to offset the deficits.

The problems raised by state insolvency laws in this matter include the costly duplication of rehabilitations in two states, the multiple actions pending in other states' courts concerning the insolvent companies and the failure of the Arkansas and Indiana courts to issue a final order of rehabilitation so that policyholders of other states with guaranty funds could be recompensed.

In addition, the bankruptcy reorganization plans being considered for the parent conglomerate are not involved in the dual state administration of the six insurers. The class-action suits in the federal court numbered 200 or more, which were consolidated under the multiple litigation rules of the federal court into a single proceeding.

If, as has been alleged in class actions against the brokerage firms that sold the single-premium deferred annuities, the contracts are security transactions subject to Securities and Exchange Commission rules and law and are not life insurance policies in that they lack a mortality contingency, then their insolvency may be subject only to federal bankruptcy jurisdiction.

If these companies were subject to the federal bankruptcy laws, then there would be no duplication of rehabilitation and no need for ancillary proceedings. The reorganization of these companies would all be

'In some states, guaranty funds will be responsible for the (Ambassador) claims. In most, however, the claimants and policyholders are left without coverage.'

within a single court jurisdiction, and the creditors' committee would be made up of a class of creditor policyholders represented by a claimant from a state with significant liability exposure.

The federal court would have no problem triggering the guaranty funds by a final order of rehabilitation or by calling the procedure what it is—a liquidation, delayed by 3½ years. The result would be a less costly administration and a higher yield to the policyholder.

The case of the Ambassador Insurance Co. of Vermont further highlights the inadequacy of state insolvency laws.

Ambassador is domiciled in Vermont and wrote insurance in 49 states and the District of Columbia. The claims of Vermont policyholders represent less than 1% of the loss reserves. The Vermont Insurance Department also is among the smaller insurance regulatory offices.

The Vermont Insurance Department did not act to assume control of the company and obtain an order of liquidation until the insolvency reached more than \$53.8 million. In some states, guaranty funds will be responsible for the claims. In most, however, the claimants and policyholders are left without coverage.

The Vermont court, after a contested action by Ambassador's management, has ordered the company's liquidation. Some of Ambassador's malpractice insurance policyholders are non-profit hospitals. This insurance covers long-tail liabilities and has large incurred-but-not-reported claims.

The liquidation, therefore, will be prolonged and should extend until the statute of limitations on medical malpractice has been exhausted on claims incurred during the policy period. In New York, for example, the statute of limitations could be as long as 24 years for claims occurring before July 1, 1975, and 10 years on a claim occurring after July 1, 1975. The liquidation will not provide any immediate funds to the insured to settle or pay claims until many of the suits have been concluded.

The liquidation is irrelevant to the immediate problem of the claimants and the policyholders. The

non-profit hospitals that purchased Ambassador malpractice insurance may be forced into bankruptcy themselves, triggering insolvency clauses in leases, mortgages and other contracts. This approach will have a catastrophic effect on the delivery of health care to the areas around these hospitals.

In the Ambassador proceeding, an offer was made to avoid the liquidation by purchasing a single-premium deferred annuity with the liquid assets of the insolvent insurer.

The offer would use \$85.8 million of the company to obtain an insurers' agreement to pay \$190 million over 11 years for payment of claims and creditors. If this had been accepted by the Vermont commissioner, the proposed effect would have been to give the company a positive net worth in 11 years.

The payments of the \$190 million were not pledged to coincide with claim maturity, but were structured to permit the obligor to use this interest income from the \$85.8 million and thereby increase the funds available for claims.

The proposal was rejected by the commissioner on the grounds that only a full loss-portfolio transfer, in which there would be an unequivocal assumption to pay all claims when due, would satisfy statutory solvency.

In short, the commissioner's prerogatives were limited to a situation of all or nothing at all. The commissioner found other objections to the proposal, one of which was that it provided excess profit to the insurer and the brokers who formulated the proposal.

The commissioner indicated that he could purchase a single-premium deferred annuity at lower cost and higher yield, and that he may in fact purchase one in his efforts to preserve the Ambassador estate during liquidation.

This action by the commissioner to save the estate unnecessary cost or commission is laudatory, but it will not help the policyholders facing liquidation, judgments and claims.

If the court had the power to order a structured payment program and/or a partial reduction of claims, then the assets of the insolvent insurer could be used in an immediate program to help claimants and policyholders.

In the Ambassador case, while the Vermont commissioner is concerned about protecting the estate from depletion by rejecting this plan, he has accrued some \$11.436 million in expenses between Nov. 10, 1983 and Oct. 31, 1984, of which more than \$2.54 million represents rehabilitation expenses. The Vermont commissioner used a law firm in Ohio, which cost \$732,679, a law firm in Washington, which cost \$179,110, and a consulting firm in New York, which cost \$960,025.

Other states in which Ambassador was licensed have begun proceedings to assume control of Ambassador deposits and letters of credit. In a bankruptcy proceeding, these additional actions could be consolidated in the single court, and the court could approve a proposal to reduce the claims and vendor obligation by a specific percent and/or a graduated payout of claims over time. There could be a reserve for IBNR claims, to be held until the claims are better defined. Claims pending or involved in litigation could be subject to arbitration proceedings.

The policyholders and claimants could be protected from the specter of insolvency by a proscribed and scheduled flow of funds from the assets and their earnings. Policyholders and claimants would be able to negotiate settlements around these payments. Guaranty funds also would benefit by these partial payouts and, since guaranty fund payments ultimately are paid by the insurance buyer, the consumer also would benefit.

This type of new alternative to the policyholders and claimants of an insolvent insurer is far more responsive than a partial payout seven years in the future. Industry would be relieved of funding a guaranty association and/or the administrative cost of liquidation would be controlled by the single federal court.

• Only the lawyers and accountants would be adversely affected.

RMIS as a communications tool

System can be vital in presenting ideas, suggestions to senior management

By Richard S. Betterley

MANY RISK MANAGERS have used a risk management information system to provide them with the tools to communicate more effectively with senior management.

Considering that risk managers, as holders of staff positions, are forced to convince operating personnel of the logic of each of their recommendations, the control and understanding of information can be a vital part of the process.

Although many risk management information systems are developed as electronic recordkeeping devices, being used to assemble claims and other information, we have seen many risk managers use the power of communicating better with senior management personnel to have a positive effect on the decision-making process.

Rather than being delayed by an inability to obtain timely information or to extract key information from the mass of data available to the risk manager, the RMIS allows them to be an actual part of decision-making.

A risk management information system can possess four unique data base attributes: data extraction, timeliness, relational and visual support. Proper use of these attributes can help a risk manager do a better job of risk management.

- **Data extraction.** The ability to sift out key information from the mass of data that are available to the risk manager is one of the best reasons to obtain and control a risk management information system.

Key data become available when the day-to-day, mundane matters of tracking information are turned over to an automated computer system.

Not only does this give the risk manager more time, but also it provides easy access to data, enabling the user to understand its implications. The result is that key information is more readily available.

Because senior management officials have so many different demands on their time and attention, the ability to see and transmit key data is critical to a risk management department's attempts to influence corporate behavior. But, it is essential that such information be meaningful.

For example, often risk management professionals become accustomed to presenting information in familiar terms. Discussing costs in terms of premiums,

rates and the like is easy, but it may not be as meaningful to senior management officials.

Expressing costs, losses, lost production and medical expenses in terms of cost per unit sold, per employee, per dollar of sales or in some other way can be much more effective.

- **Timeliness.** Generally, data are available; it is just a matter of obtaining the data in a timely manner and relating the data to other corporate activities. This is where an RMIS controlled by the risk management department can have such a large advantage over traditional insurer-supplied systems.

Senior management officials operate in two concurrent time spans: the short range (What happened last month?), and the long term (Where will we be in five years?).

Answers to short-term questions usually can be obtained through an

system may help you develop trending information, but risk managers should be cautious in its use.

Timeliness has an additional benefit. Since so much of the value of an RMIS can be in its use to help control frequent losses such as workers compensation or products liability, the ability to quickly obtain and distribute information about claims frequency is a tremendous weapon, properly used.

Managers who are in a position to affect loss control, for example, often reject risk managers' advice on the basis that: "Those losses occurred before I was plant manager; since I have changed things around here, the information doesn't apply to me."

Timely extraction, analysis and distribution of data can aid in countering these objections.

- **Relational.** The term "relational," when applied to management

risk management information system to seek out and define those key bits of information that give an accurate, easy-to-understand picture of risk management at their organization. Selecting poor indicators is almost as bad as having inaccurate data, rendering the system less than useful.

As an example, we have seen risk management information system reports designed to indicate the relationship between workers compensation claims frequency and dollars of payroll. When the company suffered through an across-the-board payroll cut for manufacturing workers, the relational data became flawed. If the report had been structured around man-hours worked, the data relationships would have remained valid.

Often relationships that appear to be valid become flawed due to changes in industry practice.

For example, hospitals used to be able to analyze incident frequencies leading to potential malpractice claims by measuring them against total patient days.

But, as health care industry practices changed and more outpatient services were provided, the number of patient days, measured as overnight stays, became skewed, rendering the historical data less than useful.

It should be recognized that, since it is difficult to predict the future, developing ideal relational information that is completely reliable is impossible. Sometimes, changes in business practices will require a rethinking of the system. Then, it is important to have a broad data base that contains information that is not readily useful now, but may be in the future.

Thus, we urge clients to capture general risk management information that may be useful at some later point.

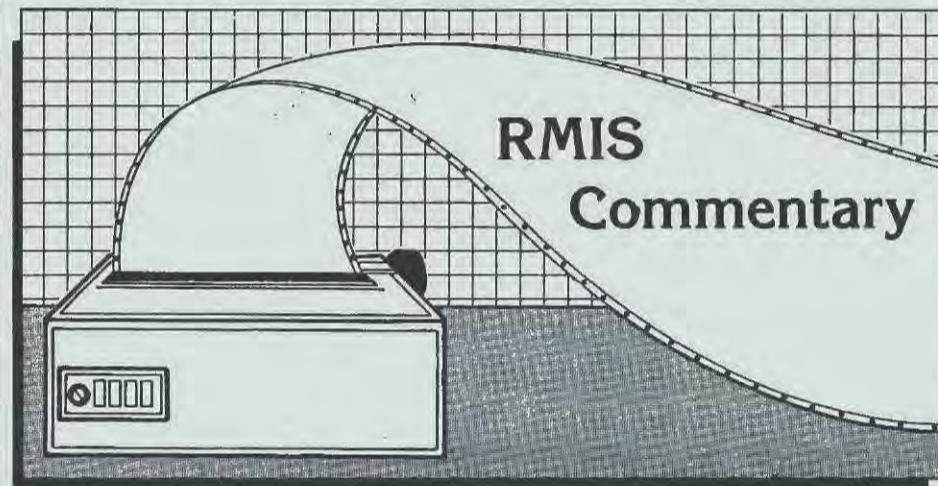
- **Visual support.** It is easy to be impressed by the graphic support capabilities of various risk management information systems. Graphs are wonderful ways of displaying information, particularly in terms of trends over time.

However, don't make the mistake of designing a package of reports that depends upon graphic support and does not provide underlying, more detailed information.

Usually the "gee-whiz" aspects of graphics wears thin after a few months, and risk managers and senior management people begin to ask questions about underlying information. If the underlying information is not defined with sufficient detail, you and senior management may be disappointed.

In conclusion, reporting accurately and effectively to senior management is tricky, with each manager having different interests. Using an RMIS that is inherently flexible can help you respond to the different demands of individuals.

Properly structured and presented, reports can be a powerful means of communicating risk management information. Each user is different, though, so make sure the reports are custom-designed, or at least modified for your needs.



interactive system controlled by the risk manager.

As we well know, when senior management officials want answers, they usually want them now. If the risk manager is unable to provide those answers, it creates frustration in terms of interaction of personnel and causes the risk manager to be branded as unhelpful.

Unfortunately, having rapid access to out-of-date information is almost as bad as having no information.

Frequently we have seen risk managers report to senior management information that is so out-of-date that it is immediately discounted, if not rejected. The risk manager had no better information, but in this case found that poor information was almost as bad as none at all.

Those of us who practice risk management understand that having information that is too raw can be as damaging as having no information at all. However, it is better to have control over such information and to present it with cautionary notes, or not release it at all, than to provide information that is so badly out-of-date as to be unusable.

There is an important danger in using raw claims information. For example, initial reserves for reported claims can be very inaccurate. Incurred-but-not-reported claims are subject to guesswork for all but the largest organizations, and over- or under-reserving of claims is commonplace.

A risk management information

system, has several different meanings. In particular, the term has certain meanings in a data base system.

With regard to management information systems, and particularly with regard to the development of appropriate reports to risk management, "relational" means the correlation of risk management data with general corporate operating data, yielding information that relates the former to the latter.

Examples of this would be the development of relationships between the number of product units sold to the number of product liability claims, or the number of motor vehicle accidents to the total number of fleet vehicles.

The use of such relational data is extremely powerful for the risk manager, allowing him or her to influence corporate decision-making more effectively.

But, the challenge for designers of risk management information systems—whether they be risk managers, consultants, system vendors or, most often, all three working as a team—is to determine what reports are most meaningful for the individual organization.


Using off-the-shelf reports is usually a mistake, since they suffer from the same problems as reports from an insurance company or self-insurance service provider: They do not highlight the most critical information, and therefore are difficult to use.

It is incumbent upon the designers of a

Richard S. Betterley is president of D.A. Betterley Risk Consultants Inc. in Worcester, Mass. Mr. Betterley is the guest author of this month's RMIS Commentary, which usually is written by David A. Tweedy. Mr. Tweedy is a risk management consultant for D.A. Betterley Risk Consultants. His column on risk management information systems appears the third Monday of every month.



business insurance



Today there is a sense of urgency regarding the exorbitant expense of employee benefits. Industry professionals are concerned with the overall rise in health care costs. More specifically, employers are continuously faced with the task of effectively communicating the most efficient usage and bottom line value of benefits to employees.

The Business Insurance Employee Benefits Communication Conference is a valuable investment of your time and dollars that makes sense for your company and for you as a benefits executive.

While examining issues critical to your professional responsibilities, the *BI Conference* centers on traditional communication tools as well as exploring new high tech trends that impact the industry.

At the *BI Conference* you will gain valuable insight on employee communications. You will have a clearer understanding of what your employees want and need to know about their benefits and how you should present the options to them. Equally important, you will be given the opportunity to participate and contribute your own ideas and evaluations regarding your day-to-day communications problems.

THE DOLLARS & SENSE OF COMM

AGENDA

GENERAL SESSIONS focus on the foundation of effective communication.

Listening To Employees

Suzanne Kenney, Manager, Employee Listening Services, HEWITT ASSOCIATES

After interviewing more than 29,000 employees and examining written survey responses from 85,000 others, Ms. Kenney will present fascinating data on how employees feel about their benefits. What are employees saying, what questions are they asking, and what choices are they making about benefits?

Working With Consultants: The Consultant Side

George Heiring, Managing Partner, HEWITT ASSOCIATES

In the first of a two part series, Mr. Heiring offers a practical approach, injected with gentle humor, to the ever-changing relationship between consultant and client. He addresses such issues as what should the client expect, what is unreasonable for the client to expect, and how clients can get the most results from their consultant.

Working With Consultants: The Company Side

Steve Wasserman, Director, Benefit Communication & Training, DART & KRAFT, INC.

In part two, Mr. Wasserman addresses the client side of the consultant-client relationship. He will make practical suggestions on when, where, why and how you should use consultants. Further, Mr. Wasserman will recommend what groundwork should be done prior to and while working with a consultant — groundwork that will save you time and money.

You Be The Judge

Herbert Zeltner, HERBERT ZELTNER CONSULTANT INC.

A dynamic speaker who sparks controversy and leads you in an energetic session, Mr. Zeltner returns once again to the BI Conference. He will introduce selected audio-visual programs submitted to the EBC Competition and will offer you a glimpse of what other industry professionals are doing.

CASE STUDIES encourage group interaction.

Your Retirees: An Untapped Health Care Cost Containment Weapon

Jeffrey M. Ostroff, President, JEFFREY M. OSTROFF ASSOCIATES

Vivian Anderson, Corporate Personnel, ALLSTATE INSURANCE COMPANY

Providing medical benefits to retirees can be very costly; and expenditures will continue to rise as the retiree population grows. Mr. Ostroff will present a brief overview of the post-retirement health benefits issue. In addition, Ms. Anderson will walk you through a communications program Allstate used to effectively deal with this problem. Attendees will be given strategies which offer companies the opportunity to contain health care costs for both retirees and active workers.

Benefits Overhaul

Steve Wasserman, Director, Benefit Communication & Training, DART & KRAFT, INC.

While producing communication materials for benefit changes may have to be done in a tight time frame, good plan and communications design takes months. The communicator

must keep all lines of communication open during the design and production process, and have suppliers ready to go when the job begins. In an informative presentation, Mr. Wasserman discusses effective communications planning, what communication approach was taken in a benefits package redesign, and how production was achieved in a short time frame.

Computers Can Talk Benefits

Pam Keeler, Director, Advanced Benefit Communications,

METROPOLITAN LIFE INSURANCE COMPANY

In an effort to increase employee understanding and perception of their benefits program, Met Life took a new look at the employee communications field. After a careful study of benefit communications needs, Metropolitan designed an innovative program. Now, Met employees can directly access their benefit and savings plan information through interactive computer terminals stationed throughout Met Life headquarters. Ms. Keeler will explain the intricacies of this unique communications vehicle and what it takes to make it succeed.

PRINT WORKSHOPS address specific communications needs.

The Power of Personalizing Print

Deborah K. Huffman, Senior Vice President,

FRANK B. HALL CONSULTING COMPANY

Ms. Huffman will address the pros and cons of personalizing print communications. How technology is distancing the workforce from management, the pressure that "personalizing" can place on your data base, and current applications for personalized benefits communications, are just some of the issues she will discuss. Additionally, Ms. Huffman will compare the strengths and weaknesses of traditional vs. laser print materials, and will provide good and bad examples of personalized communications using both techniques.

Standard Print Communications & Print Enhancement

Martin Lapidus, Consultant,

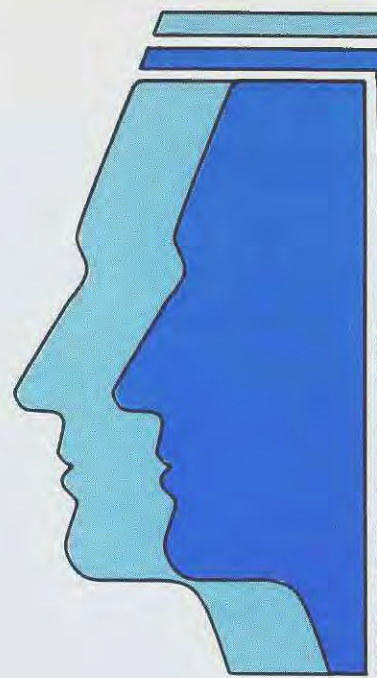
TOWERS, PERRIN, FORSTER & CROSBY

To effectively communicate benefits to employees you must have a precise understanding of the issue at hand. You must also anticipate what reaction management expects from employees. Mr. Lapidus suggests that it is the nature of the benefits program (positive change, negative change, update, etc.) that helps determine the elements of effective communication. Further, he offers a practical approach to what management's goals should be in communicating benefits to employees.

TASK FORCE is a challenging professional forum.

Designed to encourage idea-sharing among attendees, the task force is perhaps the most intriguing component of the Business Insurance Conference. At the time of registration we invite you to submit questions, problems, or issues on benefits communications (see registration form). During this session the group will be divided into small task force units. Within this unique "give and take" framework you will discuss and evaluate the proposed communications problems with your professional counterparts. Each task force will then have the opportunity to state the problem and present their findings to all attendees. The task force is a stimulating forum where your input is an integral part of the BI Conference learning experience.

August 5 and 6 The Grand Hyatt Hotel, New York City



This year our Conference format covers four major areas. While meeting as a large group, the general sessions focus on the foundation of effective communication. Small case study meetings encourage group interaction, and rotating schedules afford you the opportunity to attend all three sessions. Print workshops will center on two techniques — standard and laser printing — and you can select the one which best suits your needs. The task force, a new component of the *BI Conference*, is a challenging forum where you actively partake in evaluating the “real life” problems confronting communicators. We encourage you to submit your problems, questions or postulates of benefits communications on the attached registration form.

Highlighting the 1985 *BI conference* is the 13th annual EBC Competition Awards Presentation. Print programs submitted to this year’s Competition will be available for review in the EBC Gallery. Another feature, the Benefits Literature Gallery, is where you can collect some of the latest information available from consultants, insurance companies and service organizations.

COMMUNICATING EMPLOYEE BENEFITS

EBC COMPETITION

EBC AWARDS LUNCHEON

Alfred Malecki, Publisher, BUSINESS INSURANCE

At a luncheon honoring the winners of the 13th annual EBC Competition, awards will be presented to those companies who have excelled in communicating their employee benefits programs. One of the winning audio visual programs will be shown.

A limited number of additional seats are available for the EBC Awards Presentation luncheon. Tickets are \$50.00 each, available on a first come-first serve basis; advance reservation is required. Please contact the Registrar.

REGISTRATION

The Business Insurance Conference opens Sunday evening, August 4, with advance registration and cocktail reception. Sessions begin Monday, August 5, at 8:45 am and adjourn Tuesday, August 6, at 4:15 pm.

The cost is \$575. A 10% discount is offered to additional registrants from the same company. The fee includes sessions, workbook and educational materials, breakfast, coffee breaks, luncheons and cocktail reception.

Payment required with registration.

All cancellations must be received in writing. A full refund will be made on cancellations received prior to July 5. A \$100 service charge will apply to cancellations received after July 5. No refund will be made on cancellations received less than 5 business days prior to the conference.

However, if your plans change at any time, you may substitute the name of another person from your company without penalty.

All registrations will be confirmed in writing.

To register, simply complete the form and send it along with your payment to:
Business Insurance, Communication Services Department
220 E. 42nd St., Suite 930, New York City, NY 10017
For additional information call: Ann Vazquez, Registrar, at 212/210-0137

HOTEL ACCOMMODATIONS

We have set aside a block of rooms at a special rate at the Grand Hyatt Hotel in New York City. Rates available to Conference Registrants only: \$100 single; \$125 double.

You must mention the *Business Insurance Benefits Conference* when making your reservations. Hotel cards will be included with your Conference Registration Confirmation. Or call the Grand Hyatt Hotel at 212/883-1234; or toll free at (800)228-9000. These rates will be honored only until July 22.

REGISTRATION FORM

BI 7/15

Please register me for the 1985 BI Conference
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Commercial airlines experience record losses in first half of '85

By STACY SHAPIRO

london line

LONDON—Aviation hull underwriters could be hit with record losses this year.

Commercial airlines have suffered larger losses in the first six months of 1985 than in any entire year except for 1983, according to Airclaims Information Digest, a London publication.

So far this year, the loss of nine western-built airliners has cost aviation hull insurers \$244 million, according to Airclaims.

In 1983, aviation hull insurers paid a record of \$302 million in claims stemming from commercial aviation losses. But, in the first six months of that year, 11 western-

built aircraft with an insured value of only \$54.2 million were destroyed, or less than a fourth of the value of the aircraft lost in the first six months of this year.

The nine losses in the first half of 1985 include two of the most expensive ever. On March 16, a French Boeing 747 jetliner owned by Union de Transports Aeriens caught fire on the ground in Paris during cleaning operations. There were no fatalities, but the hull loss cost insurers about \$85 million.

On June 23, an Air India Boeing 747 crashed off the Irish coast, kill-

ing 325 people. The total hull loss has been estimated at \$95 million, including the cost of a spare engine that was on board the aircraft (BI, July 1).

Sedgwick divests

Lloyd's of London broker Sedgwick Group P.L.C. has divested the last of its Lloyd's of London managing agencies.

Sedgwick has sold Sedgwick Forbes (Lloyd's Underwriting Agents) Ltd. to Newco, a company formed by the underwriters of the syndicates managed by the agencies—P.R. Chandler, R.E. Thomson, Richard Ballantyne and W.E. (Eddie) Simms—and S.J. Cox and R.A. Denton, two agency directors.

Newco will pay Sedgwick 3 million pounds (\$4 million) for the agency, 2 million pounds of which will be paid now, while the remaining 1 million pounds, plus interest, will be paid by 1993.

In addition, Newco will pay an additional 1.25 million pounds (\$1.65 million) from profit commissions earned by the agency on syndicate during the 1983 to 1989 accounting years.

The transaction will be finalized on Dec. 31.

Lloyd's results

Despite Lloyd's of London Chairman Peter Miller's recent statement that Lloyd's will earn an overall profit of 50 million pounds (\$64.5 million) for the 1982 accounting year, Lloyd's members will lose money for the year, Lloyd's of London member John Rew told the Assn. of Lloyd's members' annual general meeting (BI, July 1).

"The profit that Lloyd's states as profit to names does not take into account a list of all the expenses like profit commissions," which is the commission earned by a managing agency for handling a syndicate's business, said Mr. Rew. Also, Mr. Rew says, Lloyd's tallies its profit figures using pretax rather than aftertax investment income.

After deducting expenses and taxes, "names will not make a profit," said Mr. Rew.

In fact, Lloyd's members will suffer an overall 50 million-pound loss, Mr. Rew said, even if the market posts a profit.

Recently, Mr. Miller estimated that when Lloyd's global results for 1982—the year just ended under Lloyd's three year accounting system—are formally announced in September, Lloyd's will show an overall profit of 50 million pounds.

Mr. Miller made this unprecedented forecast after the Assn. of Lloyd's members predicted an overall market loss of 70 million to 100 million pounds (\$92.4 million to \$132 million) (BI, May 20).

Meanwhile, Mr. Rew says he and several other Lloyd's members bid 1.85 million pounds (\$2.44 million) for one of the two underwriting management units that Alexander Howden Group P.L.C. said last month it would sell to two groups of Alexander Howden Underwriting Ltd. officials.

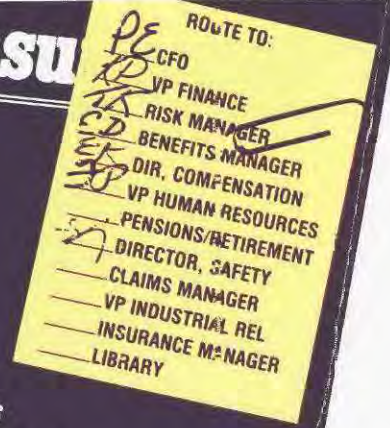
Mr. Rew said his group bid for the smaller of the two Howden underwriting units, whose syndicates, according to Mr. Rew, have a stamp capacity of 30 million pounds (\$39.6 million).

Howden announced last month that the management agency will be sold to the Howden underwriting officials for 1.5 million pounds (\$2 million).

A Howden spokesman says Mr. Rew's offer was considered but "it was rejected by the professional underwriters of the group."

business insurance

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business insurance

Public entities

Continued from page 3

The pool retains \$100,000 per occurrence and is currently seeking to replace its \$4.9 million excess insurance program that expired July 1. The coverage had been written by Century Indemnity Co. of Hartford, Conn., which has since withdrawn from the public entity liability market, Mr. Epps said.

• The Michigan Municipal League's property/casualty pool, which now has 120 members, attracted 50 new municipalities last year and about 40 others so far this year, says Eugene Berroddin, director of insurance services for the pool and president of the pooling section of the Public Risk & Insurance Management Assn.

Besides the existing pools, new public entity pools are springing up across the country:

• Sixteen New Jersey municipalities formed the Bergen County Municipal Joint Insurance Fund in January to maintain broad coverage at a reasonable cost (BI, Dec. 24-31, 1984).

Since the pool began operating in January, seven new members have joined, bringing the total to 23. In addition, six other small municipalities are expected to join by the end of the year, according to Joseph L. Voza, executive director and administrator of the Park Ridge, N.J.-based pool.

The pool's \$2.25 million annualized premium volume represents an aggregate 5% decrease from members' 1984 insurance costs, Mr. Voza said.

The pool provides general liability, workers compensation, auto, property and liability coverages, including public officials and police professional liability coverages. Only a \$500 deductible for property claims is required.

The pool retains \$100,000 per occurrence on all lines and its aggregate losses are capped at \$1.3 million annually. The pool has \$11 million per occurrence of excess liability insurance and \$52 million per occurrence of excess property insurance, Mr. Voza said. Underwriters at Lloyd's of London write the excess coverage.

Although less than 1 year old, the pool has inspired 13 other towns in southern Bergen County to participate in a feasibility study that could lead to the establishment of a separate pool that Mr. Voza said he would administer.

• Five of the largest cities and counties in Wyoming plan to launch a pool by Oct. 1 that would provide general liability, auto liability, public officials liability and property insurance. They are expected to be joined by three other counties and six other municipalities by the end of August, said Frank Gardner of Casper, Wyo., who is risk manager for Natrona County, Wyo.

Mr. Gardner said the program has not yet been finalized and could not furnish specific details.

Risk management consultants and brokers agree public entity pooling will grow further.

Pools now probably write less than 5% of public entities' general liability and workers compensation coverage, but that will grow to about 50% in the next 10 years, estimates H. Felix Kloman, principal and associate director at Tillinghast in its Darien office.

Municipal officials faced with high premium hikes are saying: "If we are going to pay this kind of money, let's put it into our own pockets and take our own lumps," Mr. Kloman said.

"The pools will grow tremendously in the next five to 10 years, even if the market changes," said David McGurn, division vp with broker Arthur J. Gallagher & Co. in Rolling Meadows, Ill.

"I sense that there will be steady if not spectacular growth among public entity pools," said Donald L.

Jones, special assistant to the executive director of the National League of Cities in Washington.

Besides offering coverage that may not be available from commercial insurers, pools can offer savings to public entities.

Webster Groves, Mo., a St. Louis suburb with 23,000 residents that joined the Missouri pool on July 1, expects to cut its insurance costs by about \$60,000, or 1% of the city's overall budget of \$6 million, said Joe Morrison, Webster Groves' city manager and director of finance.

The suburb will pay \$209,000 to MIRMA for coverage almost identical to the coverage it purchased from several commercial insurers last year, he said.

Pools should cut public entities' insurance costs by at least 10%, estimated Frank James, general manager of the Redwood Empire Municipal Insurance Fund, a pool that includes 14 public entities in northern California.

Besides saving their members money, pools often provide higher limits and broader coverage than commercial insurers because:

- Their total loss exposure is sometimes large enough to make risk more predictable and less costly to handle.

- Pools usually emphasize loss prevention and require members to take certain loss-control steps. Reducing the number and severity of losses also cuts members' costs.

- Pooling eliminates the profit margins and commissions the public entities must pay in the commercial market. Also, pool members recoup the interest earned by reserves.

- Depending on state laws, pools generally can avoid paying premium taxes.

- They allow for better cash flow because premiums are often paid monthly or can be arranged to meet local income schedules.

However, the tightening insurance market is creating some problems for pools. Just as individual public entities are having a hard time finding adequate municipal liability coverage at reasonable rates, pools are finding it difficult to purchase excess insurance and reinsurance, said Mr. Jones.

For instance, MIRMA, the Missouri pool, is still trying to replace the excess coverage written by Century Indemnity that expired July 1.

The 270-member League of Minnesota Cities Insurance Trust had to settle for lower reinsurance limits when it renewed on June 1, said Peter Tritz, the league's research director.

Previously, the pool had \$2 million of quota-share reinsurance that attached at 90% of the pool's gross premium volume. Now, the pool only has \$900,000 of reinsurance that attaches at the same level, though Mr. Tritz noted the current program is written on an excess-of-loss rather than a quota-share basis.

Even TML stopped accepting new proposals for membership from mid-April through June 1 because sufficient reinsurance was not available, Mr. Fey said. By June, the problem was resolved, he said.

Gallagher's Mr. McGurn said existing pools with a proven track record may be able to retain public officials and police professional liability excess insurance and reinsurance because insurers will perceive them as a better risk than individual public entities.

Pools generally may be more likely to hold onto their excess insurance or reinsurance than an individual public entity is to retain its umbrella liability policy, Mr. Berg added, because of the increased leverage in group purchasing and reinsurers' awareness of a pool's demonstrated commitment to loss control.

According to Tillinghast's Mr. Berg, the only obstacle that could slow the growth of public entity

pools is if new regulations restricting pooling are enacted.

Currently, public entities' self-insurance pools for workers compensation risks are subject to tighter state regulation than pools writing other lines, including general liability coverage.

For example, state regulators must approve the Michigan league pool's workers compensation rates, service company and work comp dividend payments, said Mr. Berroddin. No prior approval from the state is needed for the pooling of property/casualty coverage, though the state requires that the pool be audited, he added.

Last year, the National Assn. of Insurance Commissioners adopted a model law for regulating public employers' workers compensation pools (BI, June 18, 1984).

The model law offers guidelines for states that regulate public entity work comp pools.

During the next soft market, insurers may try to recapture premium revenue lost to pools by lobbying for increased regulation, which could slow the growth of pools, some observers say. However, some pool managers disagree.

"It is hard to understand how insurance companies will compete" with pools, said Mr. Berroddin. He pointed out that insurers have to pay taxes and add a profit margin to premiums, while the pools need only to meet their costs.

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Trenwick Re

Continued from page 2

cess & Treaty Reinsurance Corp.

"We saw the winds of change in 1982 and concluded we had to get onshore," Mr. Billett said.

Excess & Treaty's name was changed to Trenwick America Reinsurance Corp., and at the end of 1984 Trenwick bought out the minority investors and contributed an additional \$8.25 million in capital.

In 1984, Trenwick America Re wrote only \$5 million of the group's \$26 million in premiums.

And, as recently as April, Trenwick executives had said that while some underwriters and conventional reinsurance business were being transferred from Trenwick Re in Bermuda to Trenwick America Re in Westport, Trenwick Re would maintain underwriters in Bermuda and remain a market for captive reinsurance and self-funded programs.

But, about a month ago, Mr. Billett said, Trenwick executives decided "there was no reason to hold out hope for Trenwick Re."

With underwriting having ceased July 1, the two underwriters remaining in Bermuda—Jacques Bonneau and Robert Cooney—are being moved to Westport by Jan. 1.

Furthermore, the 22 Trenwick employees remaining in Bermuda to operate Trenwick's rent-a-captive program and manage captives

have been told their jobs are guaranteed only until July 1986. After that, the two remaining Trenwick operations in Bermuda may require only half the current staff.

Mr. Billett projects that Trenwick America Re, which is licensed in 41 states and has \$20 million of statutory capital and surplus, will underwrite \$25 million in premiums this year.

Trenwick Re's premiums will total only \$10 million in 1985 and by 1986 will be \$5 million, or less, all generated by Trenwick operations in the United States.

In 1983, all of Trenwick's \$17.4 million in premiums were written in Bermuda.

Mr. Billett maintains today that the 1978 incorporation of Trenwick in Bermuda was the right strategy at the time.

A small company that began operations in 1980, Trenwick could project a high profile in Bermuda. And, with captives as target clients, the largest captive insurance company domicile also was a logical home.

For the first few years, Trenwick Re's unauthorized status in the United States did not deter U.S. fronting companies from placing reinsurance for captives with Trenwick Re, Mr. Billett said.

And, until recently, some fronting companies would cede large portions of a corporation's risk to

the policyholder's captive insurer, allowing the captive in Bermuda to buy its own reinsurance.

In those instances, Trenwick Re's unauthorized status was irrelevant.

However, ceding companies are now security-conscious and shy of reporting unauthorized reinsurance in their annual statements.

Ceding companies don't want to buy reinsurance from unauthorized reinsurers. And, insurers that front for captives want to cede to captives only the amount of risk the captive will retain.

"Fronts are purchasing reinsurance now, not captives, and they want admitted reinsurers," Mr. Billett said.

Trenwick's transfer of all underwriting from Bermuda does not mean Trenwick is abandoning captives in Bermuda. "We still want to be active in that market," Mr. Billett stressed, using Trenwick America Re.

But, as capacity for conventional reinsurance continues to shrink, Mr. Billett expects that Trenwick America Re's mix of business will shift more toward conventional reinsurance of commercial insurers.

In Bermuda, Trenwick's rent-a-captive program, TGIC, is capitalized at \$5.5 million. It now serves 20 clients that generate premiums of \$40 million annually.

Trenwick also manages seven captives in Bermuda.

As a group, Trenwick lost money

in 1984, Mr. Billett revealed, but he declined to release the results of the privately held group.

Meanwhile, in Bermuda, there's little joy at losing the high-profile Trenwick or the prestigious INA International as underwriters and members of the Bermuda Independent Underwriters Assn.

But, losing two more members in the last three months is not indicative of the demise of reinsurance business in Bermuda, the chairman of the now 16-member underwriters' group asserts.

"The existing reinsurance companies here will stay here and grow stronger," predicts Robert J.

Rosser, who is chairman of the BIUA.

More captive insurance also will be formed in Bermuda and "specialized facilities, like the Bermuda Risk Exchange, will flourish," Mr. Rosser also predicted.

The Bermuda Risk Exchange will write \$8 million in premiums this year, compared with just more than \$1 million in 1984, said Mr. Rosser, who also is the underwriting services manager for the 18-member exchange.

Exchange members write primary and excess property, casualty and marine risks submitted by its membership. ■

INA International out, too

Bermuda-based INA International Insurance Co. Ltd., which had slashed its 1985 reinsurance underwriting in Bermuda to only renewals of international property treaties, is completely out of commercial reinsurance underwriting in Bermuda.

The CIGNA Corp. subsidiary ceased accepting even this limited renewal business May 28, after writing about \$900,000 in premiums in 1985.

CIGNA decided to stop all underwriting in Bermuda because the risks it was offered in Bermuda had already been offered other CIGNA companies around the world where the risks originated, said newly appointed CIGNA Bermuda Cos. President Garry Madeiros.

"There was no underwriting sense to look at something we had already seen," explained Mr. Madeiros, who had been vp and treasurer of INA Bermuda Cos., the former name of CIGNA companies in Bermuda.

Disbanded with the end of underwriting in Bermuda was the INA International Quota Share Program, under which 15 captive insurance companies were ceded 55% of the reinsurance business written by INA International in Bermuda.

In 1984, INA International had written \$13 million in treaty reinsurance premiums in Bermuda.

Four of CIGNA's 57-person staff in Bermuda lost their jobs as a result of the decision to stop underwriting. Irmgard Viera, vp-underwriting for INA International, will join Marsh & McLennan in Bermuda on Sept. 3.

INA International continues to operate, but only as a retrocessionaire of other CIGNA companies, which have been its primary source of business.

Of \$320 million in gross premiums booked in 1984 by INA International in Bermuda, only \$15.5 million had been written in Bermuda.

CIGNA also continues to manage 22 captive insurance companies in Bermuda, under the new name of CIGNA International Insurance Managers Ltd. And, CIGNA's Montgomery & Collins operates in Bermuda as a reinsurance broker. ■

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July renewals

Continued from page 1
said Mr. Polstein. "We also lost terms and conditions. And, pricing is as wild as you want to believe," he said.

Mr. McDougald said at one point in mid-May there was a real concern at James that some clients would not obtain a renewal quote. However, in the end all placements were made.

"But, they're getting you on three bases: Capacity is diminished, prices are increasing and coverage is slowly being eaten away," Mr. McDougald says.

"I don't think I've ever seen a market as dynamic as this one," he adds.

"It has been a bloody renewal season... pricing increases that are unbelievable," said J. Patrick Gallagher, area executive vp with Arthur J. Gallagher & Co. in Rolling Meadows, Ill.

"It was a scramble to keep coverages in place," said Robert E. Gallagher, president and chief executive officer of Gallagher. He described the July 1 renewal process as "slipping and sliding; zigging and zagging" to place coverage.

"At 6 p.m. June 28 we still had 40 telexes to get out," adds J. Patrick Gallagher.

"It was a very hectic, unpleasant experience," said William B. Conner, president of Robinson-Conner Inc. in Erie, Pa.

"We were working right up to the last hour and beyond that. No matter how early you started, you didn't get quotes back from the insurers until two or three weeks before (the renewal)," Mr. Conner said.

"We still have some renewals pending, in the areas of excess limits," he said. "We'll be able to close them, but not necessarily at the previous limit because of the cost," Mr. Conner said.

John L. Wortham & Son in Houston also had some "bits and pieces" of renewals pending after July 1, but managing partner Fred Burns was confident that those renewals would be completed, although also with lower limits.

At the Bartlett Agency Inc. in Moline, Ill., about 15% of the July 1 renewals—primarily those involving umbrella coverage—were still incomplete last week, said President Richard Miles.

"This is the first time ever that this has happened," Mr. Miles said.

"I think the market is worse now for a whole litany of new reasons," said A&A's Mr. Polstein. For one thing, primary insurers' capacity has been cut by restrictions imposed on them by reinsurers, he said.

But in addition, brokers' choice of markets also has been limited by the number of lower ratings A.M. Best Co. has assigned insurers (BI, July 1). Brokers generally do not place business with markets rated lower than an A without written permission from the buyer.

"The new Best ratings have had a very adverse effect (on the market)," he says.

"We are virtually precluded from using a lot of fairly major markets because of quality considerations," agrees Stephen Crane, chief financial officer with Corroon & Black Corp. in New York.

"There is a level below which we will not go unless the client insists on it in writing and recognizes the risk," Mr. Crane says.

"I don't think we've heard all the bad news in terms of security of these markets," he adds.

"I think some companies have stepped up and bitten the bullet, but others still have a lot of self-realization and atonement to do," he says.

One significant difference between the January renewal period and the current period is that insurers are now holding back available capacity because they are con-

cerned about maintaining an acceptable premium-to-policyholder-surplus ratio, says Bill Bradford, a senior vp in the casualty department of Johnson & Higgins in New York.

This has prompted moratoriums on writing new business, brokers say.

The theoretical capacity of the marketplace hasn't decreased that much from Jan. 1 to July 1, says Lawrence J. Drake, managing director of M&M in New York, but moratoriums for certain periods of time, certain geographic regions or on certain lines of coverage and other "roadblocks" put up by insurers to writing new business have significantly decreased the amount of insurance that is available compared with January.

Hardest hit by the tightening market are buyers looking for high-layer excess and umbrella coverages.

"Where we're seeing the dra-

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HIGH-TECH LOSSES

Absolutely Brilliant and Futuristic High-Tech Thinkers often ignore (or are unaware of) the old standbys of good loss prevention practices as they apply to the protection of property and profit. During the past few years, Industrial Risk Insurers has found a great amount of intellect and energy devoted to the acceleration of technological growth, but a lack of knowledge and control over the ordinary dangers of combustible contents, combustible construction, and special hazards. Let's examine a few examples in the semiconductor industry:

Research Laboratory. April 1983. Northeastern U.S.A. Cause: immersion heater in polypropylene tank. Sprinkler protection: none. Damage: immediate booth destroyed; entire cleanroom contaminated. Estimated loss: \$1.7 million. IRI Comment: this kind of loss is becoming as common as an old shoe. With immersion heaters and plastic tanks, it's not a question of whether a loss will happen, but **when**. The double trouble of this loss was the combination of the immersion heater in the plastic tank and a cleanroom which lacked sprinkler protection, yet was loaded with combustibles.

Fabrication and Testing Area. April 1981. West Coast U.S.A. Cause: silane gas released to fiberglass reinforced plastic duct; ignition followed. Sprinkler protection: complete above and below ceiling, but lacking within the duct. Damage: exhaust ductwork destroyed; damage to computer system, other equipment and stock. Estimated loss: \$1.6 million. IRI Comment: after the loss, it was determined that the nitrogen purge system was inadvertently shut off, permitting undiluted silane to contact air and ignite spontaneously. A critical omission in this incident was lack of sprinklers in the plastic duct, although a case could be made for using noncombustible duct in the first place.

Wafer Fabrication Section. February 1985. Western Europe. Cause: immersion heater in a plastic wet bench (sound familiar?). Sprinkler protection: complete, except for spaces above noncombustible, suspended ceilings. Damage: wet bench and exhaust hood damaged beyond repair; corrosive fumes caused serious damage to highly sensitive electronic and optical equipment. Estimated loss: \$5.4 million. IRI Comment: another classic case of **when**, which completely interrupted production for two weeks and partially interrupted it for 14 weeks more.

There Have Been Many Losses in the Semiconductor Industry, and there are still many more potential situations which are of great concern. Because of this, IRI studied the subject and established protection guidelines in an attempt to control losses in this industry. The results of this work are available in two forms: the 2nd Quarter 1982 issue of **The Sentinel**, our external house organ, which features a "Focus on Semiconductor Manufacturing"; and procedure manual section, P.11.1., titled "Guiding Principles for the Protection of Semiconductor Facilities". A complimentary copy of each is available from Mrs. P.A. Sasso, IRI, 85 Woodland Street, Hartford, Connecticut 06102 or call (203) 525-2601.

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July renewals

Continued from previous page
matic change is in the umbrella market," said A&A's Mr. Polstein.

Henry A. Revzan, a senior vp with Rollins Burdick Hunter Co., says that RBH has a number of pharmaceutical and railroad clients for which it has not been able to fill out all layers of excess and umbrella coverages.

"July was much worse than January, which surprised us," said Lawrence Greenfield, president of The Kaye Group Inc. in New York.

"There was less capacity for any risk of any size, and the degree by which the umbrella capacity shrunk also surprised us."

"Our clients used to carry \$5 million to \$10 million in umbrella.

When the market was soft, we convinced them to carry \$50 million, and now they are distressed that limit is cut down to \$20 million or \$25 million," he said.

"We have a lot of \$50 million players that now are \$10 million players," said Howard Miller, senior vp and director of sales for B.R.I. Coverage Corp. in New York. "The umbrella market is a shambles."

Umbrella layers for smaller companies also are shrinking, notes Bartlett's Mr. Miles. "The typical \$5 million limit is dropping back to \$1 million or \$2 million," he said.

And, when umbrella capacity is available, the price is sky-high, said Walter A. Rhulen, president of Rhulen Agency Inc. in Monticello, N.Y.

'Our clients used to carry \$5 million to \$10 million in umbrella. When the market was soft, we convinced them to carry \$50 million, and now they are distressed that limit is cut down to \$20 million or \$25 million,' said Mr. Greenfield.

In one case, a county government saw its premium for umbrella liability coverage jump to \$400,000 from \$90,000, and the new coverage had a pollution exclusion, Mr. Rhulen said.

Another municipality was hit with a premium increase to \$23,000 from \$5,200, and in a third case, a school district's premium jumped to \$150,000 from \$45,000.

All three of these public entities—as well as many others—paid the higher price, according to Mr. Rhulen.

"Everyone's buying, even though the rates went up. They were not prepared with alternatives or they were not prepared to go bare," he said.

In addition to excess and umbrella coverage, certain specialty

risks are also difficult to place, brokers explain.

Pollution coverage, especially, has been difficult, brokers say.

"The (pollution) market is so thin," said B.R.I.'s Mr. Miller. If the coverage was secured, it was written on a separate environmental impairment liability form, rather than the comprehensive general liability form, he said.

"Carriers are reluctant to expose themselves to exotic risks when they can write as much business as they want without those risks," explains Bernard Mizel, president of ABI Management Inc. in San Francisco.

Obtaining limits of \$50 million for directors and officers liability risks also is very difficult, said
Continued on next page

the professional marketplace

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Sub-total 22,627
Associations 1,081
Government, unions and educational systems 944

Commercial Consumers Sub-total 24,652
Insurance agents and brokers 9,524
Insurance companies 5,867
Financial institutions 556
Actuaries, attorneys, adjusters, appraisers and consultants 3,265
Others allied to the field, 1,143

TOTAL 45,007
* Source: Business/Occupational breakdown of qualified circulation, Nov. 5, 1984 issue, as submitted to BPA for Dec. 1984, BPA Publisher's Statement.

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Capacity also tight in London market

By STACY SHAPIRO

LONDON—To say that placing U.S. property and casualty risks in the London market is difficult is the "classic English understatement," says John Woodson, managing director of the international division of Lloyd's of London broker Willis Faber P.L.C.

Rates are rising and capacity is shrinking in London for all lines of business, observers agree.

"It is fairly common knowledge that London has extremely restricted capacity in the liability field," said Simon Harrap, managing director of broker Stewart Wrightson North America Group Ltd.

"Property is tight but not impossible, and wrongful acts—errors and omissions—is somewhere in between," Mr. Harrap said.

Americans are flocking to the London market, looking for much-needed capacity they cannot find in the U.S. market, sources in the market say.

Some are indeed finding new capacity. Willis Faber, for example, has 40% more American business on its books this year than it had last year, Mr. Woodson said.

But, many U.S. insurance buyers are coming away from London disappointed because the capacity they seek simply isn't there, brokers and underwriters say.

'A lot of Americans fly over to spend time looking for capacity, and they are shocked when they arrive. There are more U.S. buyers coming over here on a wing and a prayer and many are disappointed by what they see,' Mr. Harrap says.

"A lot of Americans fly over to spend time looking for capacity, and they are shocked when they arrive," Mr. Harrap said.

"There are more U.S. buyers coming over here on a wing and a prayer and many are disappointed by what they see," he added.

Mr. Harrap says buyers last year could buy excess liability limits of \$300 million.

"Now they're lucky to find \$50 million," he says.

"If everything is right and all markets pull together, \$150 million to \$200 million is the maximum amount a client can find in capacity" for liability risks, said Brian Hibbert, chairman of C.T. Bowring Insurance Ltd.

"In reality, though, it is more like \$100 million to \$125 million," Mr. Hibbert comments.

Rate increases can range anywhere from 25% to 400%, Mr. Hibbert added.

"Everything's up this year," he said. "And many policyholders do

not have full programs. You heard of the saying "Swiss cheese"? Well, if a program is layered to \$100 million, then it may be that none of the layers is complete or there are exclusions."

"Prices are increasing. Errors and omissions are up 100%, particularly for architects and engineers, where there is beginning to be a lack of market capacity," commented Colin Bird, who recently left Minet Holdings P.L.C. to join Lloyd's of London broker J. Besso & Co.

"The problem is new business. There is not a class of business that isn't distressed. Even property people are having their problems. And yet, business is coming from everywhere," Mr. Bird said.

"I've never known this before," he continued. "The whole world market is trouble. . . . The only bargain is that Lloyd's is still offering the most secure policy in the world, despite its troubles."

Adding to Lloyd's troubles is that

some underwriters are saying that, because they are taking in so much business at higher rates, they soon may reach the premium limits set by Lloyd's. However, brokers agree that underwriters seem to have saved enough capacity to write renewal business and some new, good risks.

Adding to the upheaval in London is the Insurance Services Office's proposed commercial general liability claims-made form, which is to take effect Jan. 1, and the claims-made umbrella form that is currently being drafted in London (see story, page 1).

The reinsurance market is particularly interested in the claims-made forms, said Nigel Huntington Whiteley, director of the North American division of E.W. Payne Ltd., a subsidiary of Sedgwick Holdings P.L.C.

Mr. Huntington said that, by the beginning of the year, reinsurers "will probably not provide casualty reinsurance cover unless the ceding companies write on a claims-made form."

And, he adds that in the last six months, "there has been further reduction in capacity, particularly because of Lloyd's premium income limitations," Mr. Huntington said.

"The large industrial companies can't buy anything like they could since last year."

Spicer & White members sue

LONDON—Lloyd's of London underwriting agency Spicer & White (Underwriting Agencies) Ltd. plans to transfer the management of Syndicate 895 to another agency after 172 members of the syndicate filed suit against Spicer & White.

The members sued Spicer & White in London High Court after agency withdrew its offer of a five-year interest-free loan to help members pay anticipated losses of 19 million pounds (\$26.4 million). The offer was backed by Chase Manhattan Bank and Spicer & White's parent company, Lloyd's broker Willis Faber P.L.C. (BI, June 3).

The offer was withdrawn after only 35 of the syndicate's 243 members accepted it, a spokeswoman for Spicer & White said.

The members allege in their suit that Spicer & White breached its duty when it "caused or permitted" Syndicate 895 to write substantially more premium income than is allowed by Lloyd's.

If the syndicate had not exceeded its premium limit, "the syndicate's underwriting losses would have been significantly reduced," the complaint says.

The spokeswoman explained that it would be a conflict of interest for Spicer & White to continue to manage the Syndicate 895 while defending the suit.

A new management agency will be named soon, she added.

High rates idle shrimp boats

ARANSAS PASS, Texas—Shrimp boats that would be fishing in the Gulf of Mexico are sitting in port even though the shrimping season began last week because some owners cannot afford the price of hull and liability coverage.

The cost of hull and protection and indemnity coverage combined have increased 100% to 300% for the shrimpers, according to Ralph Rayburn, executive director of the Texas Shrimp Assn.

Insurers say dwindling reinsurance capacity and larger court awards to injured crewmen under the Jones Act are forcing them to increase rates.

The shrimpers' association is exploring the feasibility of establishing a reciprocal insurance company that would provide insurance to boat owners that meet certain standards.

However, the idle boats, whose number had not been determined last week, are not expected to affect the price of shrimp in the U.S. market because a bountiful harvest has been predicted for domestic shrimpers, who supply 30% of the U.S. market.

The boats pictured on page 1 are berthed at Cohn Brown Harbor in Aransas Pass, Texas.

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Continued from previous page

M&M's Mr. Sinnott. A&A's Mr. Polstein says that last July A&A clients that wanted \$200 million to \$250 million in D&O coverage had to settle for about \$100 million. "Now it's a question of getting them \$50 million or \$75 million," he explains.

To find some of these more difficult coverages, brokers are turning more often to the surplus lines market.

"We've had to use surplus lines more, but we find it's more complicated," said Gene McCrory, president of North American Insurance Agency Inc. in Oklahoma City.

Robinson-Conner also is continuing to use the surplus lines market more, said Mr. Conner.

In one instance, an admitted insurer found out how much a policyholder was going to pay for coverage in the surplus market and said: "Well, if you're going to pay that much, we'll write it," Mr. Conner said.

Bartlett's Mr. Miles also reports using the surplus lines market more, but doesn't believe it is doing a good job.

"I don't think they have enough staff to answer all the demand for quotes," Mr. Miles said.

"Sometimes we had to go to the excess/surplus market and use creative marketing: different pieces at different layers with different insurers," said Donald R. Weber, chairman and chief executive officer of Financial Guardian Group Inc. in Kansas City, Mo.

In some cases to secure hard-to-place coverage, brokers are putting together policies with higher deductibles or large self-insured retentions.

"Some clients have volunteered to take deductibles, clients that heretofore wouldn't even discuss it," said Robinson-Conner's Mr. Conner.

But self-insurance is not a good alternative, especially for smaller clients that have paid only \$50,000 to \$200,000 in premiums previously, said Robert H. Hilb president of Hilb, Rogal & Hamilton Co.

The capacity problem has been compounded by the number of restrictions and exclusions insurers are seeking at renewals, brokers say. And, to make matters worse, insurers are often waiting until just days before renewal to let brokers and insureds know about these new conditions, brokers say.

Mr. McDougald says that James has a number of clients that have "Swiss cheese coverage," with significant holes in their casualty programs.

He says that although James went to the market early with these accounts, insurers did not respond "until basically the last minute" because they were waiting until they had placed their own reinsurance. As a result, he said, the client is subject to terms and conditions "much to late to react too them."

While capacity in the liability insurance market continues to shrink, property coverage is generally available, but prices are going up, "particularly where rates were low," noted Mr. Conner.

Mr. Miles of the Bartlett Agency cited the example of a client that had the same insurer for its property coverage for the past eight years—"virtually loss free." But the premium at renewal went up 300%, primarily because of the low rates in the past, Mr. Miles said.

M&M's Mr. Sinnott reports a "fairly dramatic reduction in capacity for large, layered property programs" and others say coverage in areas typically hit by hurricanes is harder to place.

RBH's Mr. Revzan says in January his firm was very successful in placing difference-in-conditions coverage on domestic property risks, even California earthquake risks. But now he says even these areas are feeling the pinch.

Reinsurance

Continued from page 1

Some July 1 reinsurance renewals still aren't complete, brokers and buyers report. But, several brokers say that they've finished most of their clients' July 1 renewals, a contrast to the situation last January when many brokers were still working on renewals several weeks past their anniversary dates.

"You don't have the tremendous glut of contracts in the market July 1 that you have Jan. 1," noted James J. Meenaghan, president of John F. Sullivan Co. in Seattle, the reinsurance brokerage unit of Fred S. James & Co. Inc. "It doesn't mean things are getting any easier, it just means that there aren't as many contracts to renew."

Another reason for the difference, brokers say, is that reinsurance underwriters at Lloyd's of London held back on committing capacity for January renewals until late in 1984, while awaiting the results of their own year-end retrocessional placements. This, in turn, produced a bottleneck in the processing of January renewals.

Since these retrocessions were in place long before the July renewal season, reinsurers at Lloyd's knew how much capacity would be available for recent renewals.

Brokers also didn't waste time

getting started on July renewals.

Towers, Perrin, Forster & Crosby's reinsurance division started working on July placements last March, according to Nick Steffey, vp and principal in Philadelphia.

Despite the brokers' work, the result for ceding companies in nearly all cases was more expensive reinsurance for both property and casualty business.

Price hikes on casualty treaty programs have averaged 25% to 45%, and increases on umbrella, medical malpractice and professional liability treaty business have averaged up to 70%, Mr. Steffey said.

Rate hikes on facultative reinsurance for these hard-to-place lines have exceeded 100%, he added.

Meanwhile, one client whose property reinsurance program was "virtually loss-free" was hit with a 37% rate increase on July 1, Mr. Steffey said.

TPF&C, which has 462 treaty clients, renews about 30% of its business July 1 and the rest in January or in other months, he said.

Rate hikes on casualty business have ranged from 20% or 30% on renewals with good loss records to 200% to 500% on business that is loss-prone or that is new to a particular reinsurer, said Kenneth A.

Hecken, chairman and chief executive officer of Willcox Inc. Reinsurance Intermediaries in New York, a joint venture between Johnson & Higgins and Lloyd's broker Willis Faber P.L.C.

Mr. Hecken pointed out that rate hikes depend to a great extent on the characteristics of a particular risk and that averages don't apply in all cases.

Constitution Re, which renews the bulk of its business in January, is imposing price hikes averaging 50%, according to the underwriter. The increases have ranged from 10% or 15% on relatively low-risk business to 75% to 150% for working-layer casualty reinsurance, he said.

Employers Reinsurance Corp. is likewise imposing hikes of 25% to 50% on casualty treaty renewals, says James Estes, executive vp in the treaty division in Overland Park, Kan. Mr. Estes added that in some cases Employers Re is requiring buyers to double their retentions with no change in premium.

Along with price hikes, there are acute reinsurance capacity shortages in some areas, notably global catastrophe reinsurance programs.

One major U.S. property/casualty insurer is now 20% short of its goal of renewing coverage of \$210 million excess of \$20 million on its global reinsurance slip, having

rounded up only about \$168 million, said one official who asked that the company not be named.

The capacity shortage is being felt not just in upper layers, but in all seven layers of the program, which covers both property and casualty business, the official said.

For example, in the first layer of \$20 million excess of \$20 million, the insurer had hoped to cede 66% of its risk, but may end up ceding only 50%, the official said.

Part of the problem is that several reinsurers—including General Re Corp.—refused to look at the insurer's global slip because it included casualty risks, the official said.

General Re officials could not be reached for comment.

Several brokers report that reinsurers are demanding that casualty risks be unbundled from global catastrophe programs.

The official said his company will now wait a couple of weeks to see if its broker, Guy Carpenter & Co., can fill out the program. If this proves impossible, the insurer may consider a separate "gap treaty" that would cover the shortages on the global slip for workers compensation, windstorm and earthquake risks only, the official said. He added his company was hit with a 35% price hike on the portions of the slip that it was able to renew.

Capacity shortages, however, aren't limited to catastrophe programs. Capacity for casualty risks in U.S. reinsurance markets has dropped 20% to 50% since January, said Mr. Butler, and the capacity shortage for risks like medical malpractice and errors and omissions has been even more severe.

The capacity shortage is becoming especially severe for the reinsurance of pollution liability, professional liability and directors and officers liability risks, says David L. Cargile, president and chief executive officer of RFC Intermediaries Inc. in Los Angeles. "These could very easily end up being non-insurable risks."

Mr. Cargile added that there is "some" reinsurance capacity available for casualty risks written on an occurrence form, "but not enough to complete most covers." For insurers with good track records and established relationships with reinsurers, programs can still be completed on a claims-made basis, he said.

But, Sullivan's Mr. Meenaghan says reinsurers generally are not yet insisting on claims-made forms.

This could change during the January 1986 renewals, he added, as the Insurance Services Office's commercial general liability claims-made form takes effect.

Some brokers reported few problems finding capacity for some of their clients.

TPF&C—whose business is "pure vanilla" and doesn't include many specialty risks—was able to

renew many clients' programs with the same limits, and in a few cases with increased limits where clients were willing to increase retentions, Mr. Steffey said.

While brokers expected rising rates and shrinking capacity, the most significant restrictions, some say, have been in contract terms and conditions.

On excess-of-loss workers compensation risks—which have produced heavy losses for reinsurers and big rate hikes for ceding companies—many reinsurers are now demanding "two-person warranties," which require that at least two workers be injured before reinsurance is triggered, regardless of the amount of the loss, said Willcox's Mr. Hecken.

In clash covers that include workers compensation, Constitution Re is requiring that losses from occupational disease exceed a defined amount per employee before reinsurance responds, the underwriter said, in effect increasing the policyholder's retention.

In an attempt to cap their losses, reinsurers are also placing new limitations on contract reinstatement provisions, sources say.

Some Lloyd's reinsurers want to limit the number of times policyholders can reinstate limits during the policy term to two or three reinstatements, said Mr. Steffey. He added there is some disagreement on this issue, since one leading Lloyd's reinsurer still offers unlimited reinstatements.

Property and casualty treaty reinsurers, as well as catastrophe reinsurers, are also beginning to charge separately for reinstatements, where many used to include the cost of reinstatements in the basic premium, Mr. Steffey said.

The Constitution Re underwriter said his company is adding a "loss corridor" provision to some of its reinsurance contracts, under which ceding companies agree to pay a defined percentage of losses after the combined ratio on a contract passes a given point.

For example, if a reinsurance contract's combined ratio exceeds 100%, the ceding company may have to pay 50% of subsequent losses until the combined ratio hits 110%, after which the reinsurer may again pay all losses.

He said this provision is a "last-shot deal" on business that has performed poorly.

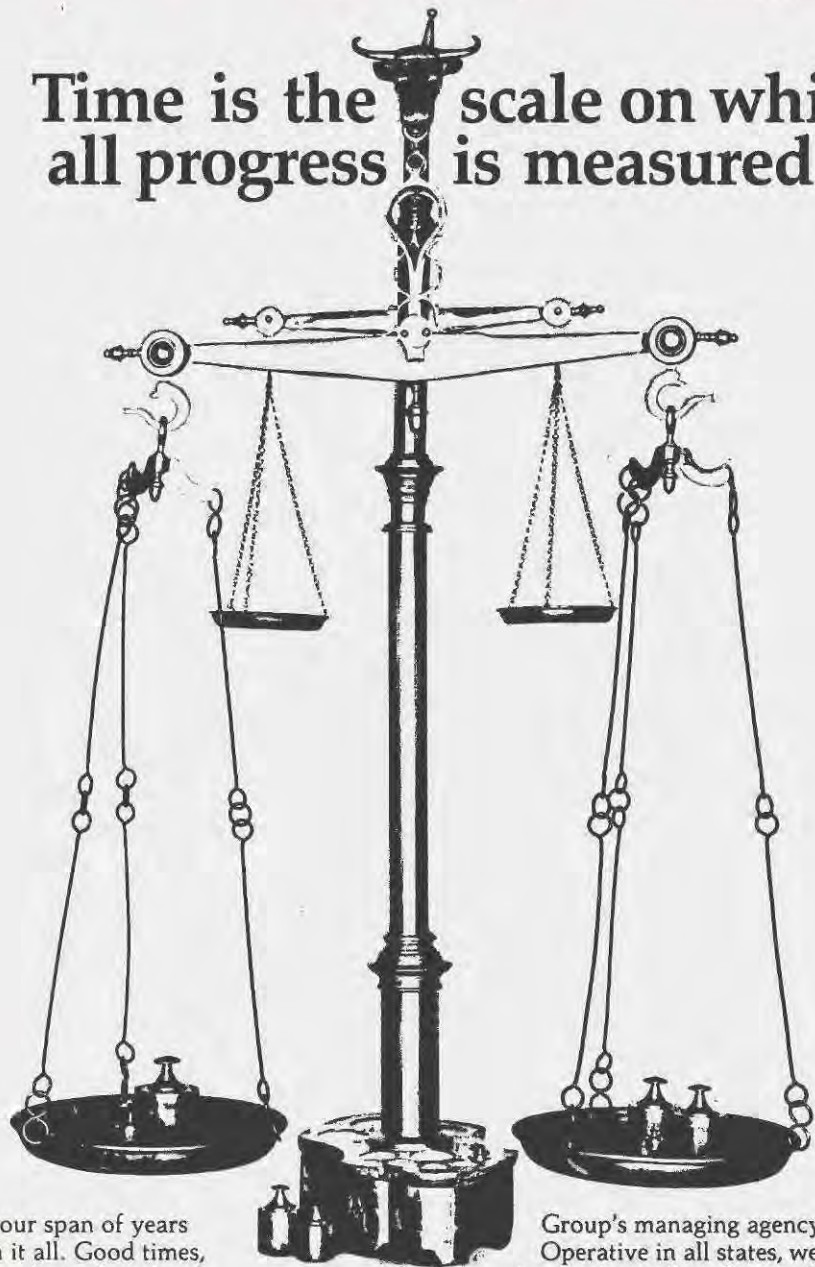
Other restrictions being added or considered by reinsurers, include:

- The addition of per occurrence limits—not commonly applied before—to property pro rata treaty contracts.

- Requirements that the rates reinsurance buyers charge their own policyholder not fall below a defined discount from ISO rates.

- The addition of aggregate caps to casualty excess-of-loss treaties, many of which have not included such caps in the past.

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Tight market is not likely to stop brokers' recovery

By LEONARD M. WILSON
Special to Business Insurance

INSURANCE BROKERS and farmers have at least one thing in common: They are rarely without something to bemoan. The farmer's nemesis is natural disaster, and the insurance broker's is the unstable state of insurance markets.

Gloom for a broker comes in more than one guise. The interminable and unlamented soft market of the early 1980s now has given ground to complaints about the acutely tight market and the difficulty of placing risks.

Talk to any industry contact, and he or she will be quick to expound on the disappearance of markets, restrictive policy forms and the strain of performing the marketing function in an unreceptive climate.

No doubt the tight market in commercial lines is real, but how could it be otherwise if prices are to rise eventually to a level at which underwriters can be viable?

When brokers assert with knee-jerk frequency that the property/casualty insurance industry faces a capital shortage, they may be right in the short run. But, the consensus held the same viewpoint in 1976 and 1977, and look what happened once rates of return on capital invested in insurance expanded. A veritable tidal wave of funds appeared in both direct and reinsurance markets.

The price increases currently being implemented may well correct the shortage of capacity a good deal sooner than the Cassandras allow for. As real and uncomfortable as the tight market may be now, brokers' widespread discomfort also could reflect a certain defensiveness. After all, projections of financial analysts and stock market valuations for brokers and underwriters alike portend a period of marked prosperity.

The corporate client will, of course, pay the piper and need some stroking as premiums wait skyward. But then, risk managers had a

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Mr. Wilson

five-year joy ride during which premiums declined as much as 50% across the board, even while the general price level was rising almost 50%.

As an observer with a keen interest in the financial performance of the public brokers, we decided to take a look at what tight capacity meant in the last cycle, with 1974 the trough year for pricing and 1978 the peak year. Hand-wringing over tight capacity and capital stringency were prevalent in the early part of the last cycle as well.

From the base year 1974 to 1978, we estimate that written premium volume for commercial lines increase 107% over the four-year period, a doubling. The gross national product, the indicator against which commercial premiums should be measured, rose only 51% in the same time span.

We think that more than half the advance in written premiums was due to price increases, but enough incremental capacity emerged to permit significant gains in units of exposure. In 1975, the first year of price increases, written premiums expanded about 12%, the smallest annual rise during the four years. Tight markets and underwriter caution may have inhibited premium growth, but thereafter the growth accelerated.

Capacity may have started out a little tighter in this cycle, but then prices seem to be increasing more dramatically. In the second round, price increases are likely to be considerably smaller, but more capacity should be forthcoming.

As a consequence, the insurance brokers need not experience much deceleration in growth, even with a lessening in rate advances. The current tightness in capacity is in a sense a reserve for future brokerage growth as the pricing momentum abates.

We indirectly posed the question earlier as to whether tight markets hurt the publicly owned insurance brokers. No doubt, if ample capacity were available and prices were rising markedly, growth would surpass our estimate of 20% to 25% for the increase in commissions and fees during 1985.

But, rate adjustments of 10% to 15% across a full book of business and new business net of losses almost assure our projected gains, even if there is no real growth in units of exposure this year due to capacity constraints.

Improved capacity seems almost assured next year with better pricing. Also, insurance companies now are able to sell stock above book value. That possibility has elicited a re-

cent rash of public stock offerings.

A second round of financing is not precluded if rates of return are high enough and an underwriter's stock market price remains at a premium book value. The shortage of insurance capital is almost inevitably a temporary phenomenon, to be succeeded by an influx of funds seeking attractive returns.

It may be neither the best nor the worst of worlds for overburdened brokers, but for investors in brokerage stocks, it looks like the best of times.

N.Y. Insurance Exchange

New York Insurance Exchange syndicates reported an aggregate net loss of \$11.3 million for the first quarter, compared with a \$5.5 million loss in 1984's first quarter.

Underwriting losses reported by exchange syndicates in the first quarter hit \$23.7 million, up 69.9% from 1984's first-quarter underwriting loss of \$13.9 million.

The underwriting loss was partially offset by a 20% increase in investment income for the quarter, to \$10 million in the first quarter of 1985 from \$8.3 million the year before.

The exchange reported gross written premiums of \$80.6 million in this year's first quarter, a 0.6% decline from the \$81.1 million written in the first quarter of 1984.

The exchange's aggregate combined ratio for the first quarter stood at 144.3%, compared with the exchange's 126.2% combined ratio in the first quarter of 1984.

Northwestern National

Northwestern National Insurance Co., a Milwaukee-based unit of Armco Inc., says it has implemented its previously announced capital enhancement program to support Armco's major insurance operations after the plan was approved by various state regulators (BI, April 8).

Under the plan, Armco realigned its continuing insurance operations and contributed cash and other assets to both its continuing and discontinued property/casualty units.

Among the major elements of the program:

- Armco Insurance Group Inc., Armco's insurance holding company, retired a \$10 million unsecured note to Northwestern National with cash.

- Ownership of three insurers with a combined statutory surplus of \$56.4 million—Continental Western Insurance Co., Oregon Automobile Insurance Co. and Pacific National Insurance Co.—has been transferred to Northwestern National from Armco Insurance Group. They are now wholly owned subsidiaries of Northwestern National.

- Northwestern National assumed \$56 million in liabilities previously ceded to Dallas-based Compass Insurance Co., which is currently running off its business, to cure a surplus deficiency at Compass, which is a discontinued operation. Ownership of Compass, with a statutory surplus of \$12 million, was transferred to Northwestern National from Armco Insurance Group.

These and other moves resulted in a 58% increase in Northwestern National's surplus to \$87 million, the company said.

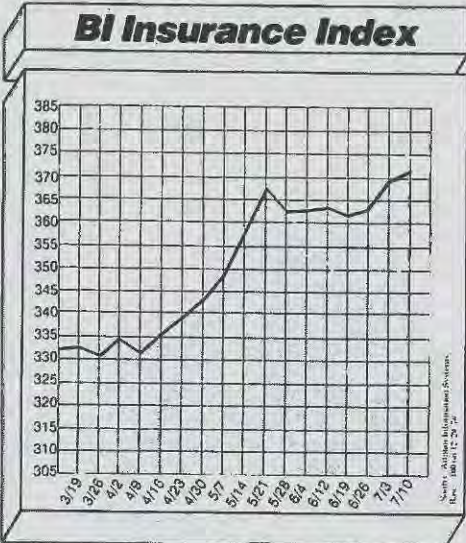
Best's ratings

A.M. Best Co. changed the ratings of more property/casualty insurers this year than it has for at least a decade.

Best released its 1985 ratings of 1,775 insurers on June 24 (BI, July 1). Its final tabulations show that a whopping 331 companies received a lower rating this year, up from only 183 last year. In comparison, only 25 companies were assigned higher ratings this year, compared with 100 last year.

Of the companies given alphabetical or omitted ratings, 28.3% were reduced this year and only 2.1% were increased. An omitted rating, the lowest, was assigned to 118 companies this year, up from only 38 last year.

The most common change—assigning 149 companies—was a drop from A-plus to A. Only 385 companies now have A-plus or contingent A-plus ratings, compared with 556 last year.



The Business Insurance stock index set a new high for the second consecutive week. The BI index of insurance industry stocks closed at 371.4 on July 10, up 3.3 points from the previous high of 368.1 points set on July 2. A total of 30 stocks posted gains, 19 stocks closed lower and nine stocks remained unchanged. The largest gains were posted by Tokio Marine & Fire Insurance Ltd., up 15.3%; Frank B. Hall & Co. Inc., up 10.7%; USLIFE Corp., up 9.4%; Old Republic International Corp., up 8.5%; and W.R. Berkley Corp., also up 8.5%. The largest losses were posted by Aneco Reinsurance Co. Ltd., down 16.7%; Reed Stenhouse Cos. Ltd., down 8.6%; Alexander & Alexander Services Inc., down 5.0%; the Statesman Group Inc., also down 5.0%; and CNA Financial Corp., down 4.5%. The Business Insurance stock index rose 0.9% for the trading period and outperformed the other stock indicators: The New York Stock Exchange composite rose 0.3%, the Standard & Poor's 500 rose 0.2% and the Dow Jones 30 Industrials fell 0.1% during the same trading period.

British Issues

9 July Companies	Price pence	P/E	Div. pence	Yield %	1 Week	
					High	Low
Commi Union	212	N/M	16.9	8.0	212-203	
Genl Accident	630	106.8	28.6	4.5	630-607	
Gdn Royal Exch	720	20.9	37.1	5.2	720-700	
Royal	690	N/M	33.9	4.9	690-663	
Sun Alliance	470	22.6	21.1	4.7	470-453	
Brokers						
CE Heath	617	10.1	30.0	4.9	617-580	
Hogg Robinson	251	12.8	11.4	4.6	251-242	
JH Minet	176	11.5	8.9	5.1	176-162	
Sedg Grp	352	15.4	14.3	4.1	355-352	
Stew Wrightson	590	15.5	25.7	4.4	590-567	
Willis Faber	628	21.5	18.6	3.0	633-623	


Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

July 10, 1985 7/4/85 thru 7/10/85

Brokers	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)			
Alexander & Alexander Svcs	NYSE	28.25	-5.0	0.0	1.00	3.5	29.38	28.25	657.8	NYSE	29.25	2.6	13.5	0.60	2.1	29.25	28.50	4.2	
Baldwin & Lyons Inc	OTC	64.00	0.0	11.6	0.80	1.3	64.00	64.00	0.0	OTC	26.00	-1.0	7.1	1.04	4.0	26.25	26.00	20.3	
Corroon & Black Corp	NYSE	45.00	-2.2	0.0	1.00	2.2	47.13	45.00	115.2	NYSE	72.25	-2.5	18.2	2.20	3.0	73.25	72.25	85.8	
Crump E H Cos Inc	OTC	33.00	2.7	24.8	0.50	1.5	33.00	32.25	79.3	NYSE	49.25	0.5	9.6	2.16	4.4	49.25	48.50	151.2	
Emett & Chandler Cos Inc	OTC	24.75	1.0	117.9	0.00	0.0	24.75*	24.50	0.4	NYSE	43.88	-0.6	22.4	2.60	5.9	44.25	43.63	407.6	
Gallagher Arthur J & Co	OTC	41.25	-1.2	24.7	0.28	0.7	41.75	41.25	55.4	OTC	160.00	6.7	9.7	0.00	0.0	160.00*	150.00	0.1	
Hall Frank B & Co Inc	NYSE	31.00	10.7	0.0	1.00	3.2	31.00*	28.50	911.2	OTC	39.75	1.9	7.4	1.28	3.2	39.75	39.00	31.5	
Marsh & McLennan Cos Inc	NYSE	72.13	-0.5	20.0	2.40	3.3	72.50	71.50	203.1	OTC	66.38	1.1	11.6	1.76	2.7	66.38*	65.88	320.0	
Poe & Assoc Inc	OTC	8.00	0.0	0.0	0.80	10.0	8.00	8.00	12.7	OTC	26.63	-0.5	0.0	0.48	1.8	26.75	26.63	260.7	
Reed Stenhouse Cos Ltd	OTC	20.00	-8.6	26.0	0.00	0.0	22.00	20.00	139.2	OTC	499.50	0.0	12.8	0.00	0.0	499.50	499.50	0.0	
AGENTS/BROKERS AVERAGE																			
44.4 2.1																			
Conglomerates & Holding Cos.																			
American Express(Fireman's Fd)	NYSE	47.25	-0.3	16.2	1.28	2.7	47.63	46.63	2,502.2	Liberty Corp S C	NYSE	30.50	1.2	14.3	0.72	2.4	30.88	30.25	18.2
Anderson Clayton(Ranger/Pana)	NYSE	40.88	2.5	35.2	1.32	3.2	40.88	40.00	149.8	Lincoln Natl Corp Ind	NYSE	43.63	3.3	11.4	1.84	4.2	43.63*	42.00	185.3
Araco Inc	NYSE	8.63	1.5	0.0	0.00	0.0	8.63	8.38	240.7	Mission Ins Group Inc	NYSE	6.75	1.9	0.0	0.00	0.0	6.75	6.38	62.3
Berkley W R Corp	OTC	16.00	8.5	0.0	0.32	2.0	16.00	14.75	133.0	Monumental Corp	OTC	30.63	-2.0	20.3	1.30	4.2	31.00	30.63	25.0
CIGNA Corp	NYSE	59.13	0.4	844.6	2.60	4.4	59.13	58.00	898.0	Nobel Ins Ltd	OTC	10.63	1.2	14.0	0.25	2.4	10.63*	10.00	28.3
City Investing Co. (Home Ins.)	NYSE	36.75	4.3	5.7	0.00	0.0	36.75	35.88	506.8	Northwestern Natl Life Ins	OTC	29.88	1.3	7.1	0.80	2.7	29.88	29.13	133.2
CNA Finl Corp (CNA)	NYSE	55.88	-4.5	21.5	0.00	0.0	59.13*	55.88	138.2	Ohio Gas Corp	OTC	63.00	1.2	23.3	2.80	4.4	63.63*	63.00	27.9
General Re Corp	NYSE	87.38	3.1	57.5	1.56	1.8	87.38*	85.13	396.6	Old Rep Intl Corp	OTC	38.25	8.5	9.2	0.74	1.9	38.25*	35.75	168.7
ITT (Hartford Group)	NYSE	31.75	1.6	9.9	1.00	3.1	31.75	30.75	1,588.3	Orion Cap Corp	NYSE	26.63	0.0	0.0	0.76	2.9	26.88	26.63	18.4
Optima Hldg Corp	OTC	0.50	0.0	1.6	0.00	0.0	0.50	0.50	0.0	Protective Corp	OTC	21.00	0.6	7.4	0.66	3.1	21.25	20.75	49.9
Sears Roebuck & Co. (Allstate)	NYSE	37.13	-2.0	9.3	1.76	4.7	37.88	36.63	2,485.4	Provident Life & Acc Ins Co	OTC	23.50	0.0	6.6	0.76	3.2	23.75	23.50	134.9
Teledyne Inc (Argonaut)	NYSE	253.38	-1.8	5.5	0.00	0.0	256.63	253.25	55.9	St Paul Cos Inc	OTC	70.50	-1.7	0.0	3.00	4.3	71.13	70.50	137.8
Transamerica Corp	NYSE	30.00	-4.0	14.7	1.64	5.5	30.63	29.88	374.8	SAFECO Corp	OTC	41.63	2.5	14.9	1.60	3.8	41.63	40.75	479.7
(Occidental & Fred S. James)	NYSE	30.00	-4.0	14.7	1.64	5.5	30.63	29.88	374.8	Sri Corp	OTC	20.63	7.1	98.2	0.68	3.3	20.63*	19.50	92.4
CONGLOMERATES/HOLDING COS. AVERAGE																			
11.1 1.6																			
Insurers																			
Aetna Life & Cas Co	NYSE	46.75	0.8	23.7	2.64	5.6	46.75	46.00	1,741.3	Selbels Bruce Group Inc	OTC	19.50	0.0	0.0	0.80	4.1	19.75	19.50	24.1
American General Corp	NYSE	35.00	0.7	11.4	1.00	2.9	35.13	34.75	422.7	Statesman Group Inc	OTC	4.75	-5.0	0.0	0.15	3.2	4.88	4.75	71.5
Ameri Heritage Life Invt Co	NYSE	34.75	1.5	10.2	1.20	3.5	35.00*	34.63	2.8	Tokio Marine & Fire Ins Co	OTC	213.25	15.3	36.9	1.05	0.5	213.25*	185.13	18.5
American Indty Finl Corp	OTC	22.13	5.4	0.0	1.12	5.1	22.13*	21.50	26.9	Torchmark Corp	NYSE	48.75	0.0	10.8	1.20	2.5	49.75	48.50	142.5
American Intl Group Inc	NYSE	84.88	-0.6	21.6	0.44	0.5	85.38	84.25	207.6	Travelers Corp	NYSE	46.38	-1.1	11.2	2.04	4.4	46.50	45.88	1,591.1
Aneco Reins Ltd	OTC	1.25	-16.7	0.0	0.00	0.0	1.50	1.25	19.4	United Fire & Cas Co	OTC	22.00	0.0	0.0	0.80	3.6	22.00	22.00	0.0
INSURANCE COMPANIES AVERAGE																			
19.7 2.1																			

Where does a company find people-oriented claim service for 875 locations?



Emily Schmidt,
Risk Manager,
Jerrico, Inc.

“We went to Northbrook.”

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Jerrico Risk Manager Emily Schmidt puts it this way. “We don't often push the button. But when we do, Northbrook is there. For us, the humanitarian aspect of claim handling is just as important as the monetary. And Northbrook doesn't forget we're dealing with human beings.”

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