

Business Insurance

Reporting Weekly on Corporate Risk, Employee Benefit and Managed Health Care News / \$4

© Entire contents copyright 1996 by Crain Communications Inc. All rights reserved.

New York comp reform plan would cut third-party lawsuits

ALBANY, N.Y.—Insurance and business groups in New York are applauding an agreement reached last week between Gov. George E. Pataki and state lawmakers to reform several significant elements of the state's workers compensation system.

Paramount among the agreed-upon changes, reached during arduous state budget negotiations, is the enactment of a law that would effectively overturn portions of the controversial 1972 *Dole vs. Dow* Court of Appeals ruling that has permitted injured

See Updates on next page

Lloyd's news all good

Back in the black, market focuses on getting R&R approval

By EDWIN UNSWORTH

LONDON—The news last week from Lloyd's of London could hardly have been much more encouraging prior to today's general meeting.

On Friday, Lloyd's unveiled its 1993 underwriting profits, which marked a long-awaited return to profitability after losses of nearly £8 billion (\$12.56 billion) over the prior five years (see story, page 21).

Also last week, Lloyd's signed a framework agreement with U.S. state securities regulators that, if approved by the states, will remove one of the last significant obstacles to progress on its reconstruction and renewal program.

Those positive developments occurred as an increasing number of Lloyd's names appear ready to endorse the market's R&R plan, which will allow Lloyd's to put 1992 and prior year liabilities—as well as most litigation by names—behind it.

Lloyd's posts £225 million profit for 1993.....Page 21

Under the deal reached Thursday with the North American Securities Administrators Assn. Co-ordinating Committee, Lloyd's is offering a £40 million (\$62 million) credit to U.S. names—which amounts to about one-fifth of

their overall liabilities—in return for state securities regulators agreeing not to take any legal action that would impede Lloyd's recovery plan.

Such actions have been threatened by several states, some of which also threaten to freeze about \$10 billion in U.S. assets held by Lloyd's, and would pose a major obstacle to the successful implementation of the R&R plan.

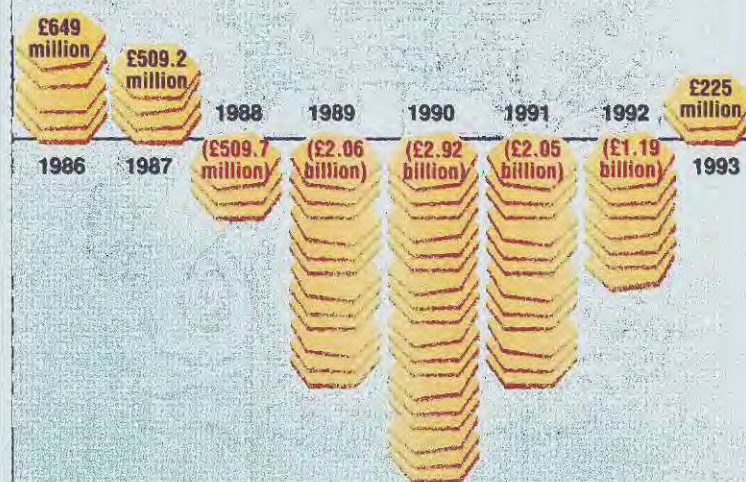
Lloyd's set a July 13 deadline for acceptance of its offer by states representing at least 80% of the U.S. names.

Lloyd's Chairman David Rowland hailed the agreement, saying it "removes the final significant obstacle to the resolution of our

See Lloyd's on page 21

Back in the black

The 1993 underwriting year returned Lloyd's of London to profitability for the first time since 1987.



Pension laws targeted

By MARK A. HOFMANN

WASHINGTON—The ERISA Industry Committee hopes its new white paper on employer-sponsored retirement plans will help frame the coming debate on Capitol Hill over pension policy.

"We're going to be sending it to the platform committees. We know that pensions are going to be on the table next year," said Mark Ugoretz, president of Washington-based ERIC, a business group dedicated to maintaining an employer-provided voluntary pension system.

The white paper, "Getting the Job Done," is designed to "set out a benchmark both for policymakers as well as the employer community to measure public policy

proposals," said Mr. Ugoretz.

The paper, which ERIC's Emerging Pension Issues Committee worked on for more than a year, includes calls for maintaining the Employee Retirement Income Security Act's pre-emption of state benefit laws, allowing employers more flexibility in running plans, encouraging innovation in plan design, reducing the premiums paid to the Pension Benefit Guaranty Corp. and continuing to provide beneficial tax treatment for savings under employer-sponsored retirement plans.

The paper also calls on the federal government to take a longer-term approach to pension policy and to avoid politically appealing

See ERIC on page 22

The Home's assets examined

New analysis to assess higher-than-expected runoff costs

By GAVIN SOUTER

NEW YORK—A new analysis of The Home Insurance Co.'s assets and liabilities is needed so regulators can determine if the insurer will run out of money faster than anticipated, says an examiner appointed by regulators to oversee the runoff of the insurance company.

Unforeseen costs associated with the runoff of The Home and its affiliates may cause a greater-than-expected erosion of assets, the examiner says.

Based on assessments of The Home's assets and liabilities made prior to the runoff, the higher expenses could mean that its assets

and reinsurance coverage would be depleted before all claims were paid. However, the examiner stressed that those assessments may have been flawed and that a new and more comprehensive analysis of outstanding claims is being conducted that could paint a better picture of The Home's claims-paying ability.

The company managing The Home's runoff contends that the insurer is still on course to pay all claims. But, in an effort to curb runoff expenses, The Home stopped paying rent on its New York headquarters building last month.

Working from actuarial projections made prior to the runoff,

The Home's assets and reinsurance program would be exhausted before all its liabilities were met, said David Nichols, the examiner appointed by the New Hampshire Insurance Department to oversee the runoff of Home Holdings Inc.'s insurer subsidiaries.

"The model that we used at the time indicates that there will not be enough money to meet all of the obligations, but the model did assume a significant deficiency in reserves," he said.

Mr. Nichols was assistant insurance commissioner for New Hampshire at the time The Home was placed into runoff.

The Home was domiciled in

See The Home on page 16



Bertha hits Carolina coast

By SALLY ROBERTS

As residents and businesses in the Carolinas braced for the brunt of Hurricane Bertha, which made landfall on Friday, those in the Caribbean and Leeward Islands were breathing a sigh of relief that the first Atlantic storm of the hurricane season had left them relatively unscathed.

Forecasters originally thought Hurricane Bertha, which brushed past the Caribbean and Leeward Islands early last week, would veer northeast and stay clear of the United States, but by Wednesday morning, hundreds of thousands of people began evacuating the coastal areas from Florida to North Carolina.

Evacuation orders were lifted in Florida early Thursday as the storm headed toward the Carolinas.

Shortly before 2 p.m. EST Friday, Bertha

made landfall at Cape Fear, N.C. The Category 2 storm's most punishing winds—reported at up to 105 mph Friday afternoon—were expected to buffet the area between Myrtle Beach, S.C., and Wilmington, N.C., throughout the day Friday, according to the National Hurricane Center in Miami.

Risk Management Solutions Inc. estimated that if Hurricane Bertha remained on that track, total insured damage in the projected storm path area would range between \$450 million and \$675 million.

Travelers/Aetna Property Casualty Corp. alerted 50 of its claim adjusters across the country to be ready to join several local adjusters already based in the Carolinas and Virginia to help customers affected by the storm, a spokesman said.

While he could not offer a projected insured damage figure, he said the Hartford, Conn.-based insurer was expecting a com-

bin of business interruption and windstorm claims.

Flooding was also expected to be a problem as storm surges of seven to nine feet were expected above normal high tides, in addition to five to eight inches of rain.

As Hurricane Bertha prepared to wreak destruction in the United States, her bark turned out to be bigger than her bite for the Caribbean islands and Leeward Islands, as the storm brought heavy winds and rain but left minimal damage.

"The information we've received so far is that damages (in Puerto Rico and U.S. Virgin Islands) are relatively minor," said Gary Kerney, assistant vp for the Property Claims Service division of New York-based American Insurance Services Group.

Hurricane Bertha, however, was blamed for at least seven deaths in Puerto Rico,

See Bertha on page 21

Updates

New York crafts comp bill

Continued from previous page

workers to collect workers comp benefits and also sue the manufacturer of equipment that led to their injury. In turn, manufacturers can sue the worker's employer for a portion of damages based on the percentage of liability that a jury assigns to the employer.

The American Insurance Assn. lauded negotiators for agreeing to essentially overturn the *Dole vs. Dow* ruling in all cases other than accidental death and grave injuries. "We may not have gotten everything we wanted with this, but it is the first time *Dole vs. Dow* has been weakened, and that's something we have been told would never happen," said Mary Griffin, an assistant vp with the AIA in Albany.

Lawmakers and Gov. Pataki also agreed to expand the role of managed care in treating workers comp injuries. Once the workers comp reform bill, which was drafted late last Friday, is passed and signed into law, employers and insurers will be able to offer injured workers access to preferred provider organizations as long as insurers have no financial stake in the provider network. However, unions will be able to reject managed care during collective bargaining negotiations.

Employees receiving treatment in managed care programs will be required to stay in the system for at least 30 days, up from 14 days under a current managed care pilot. Finally, budget negotiators agreed to the workers comp changes without committing to increasing benefits to injured workers. As a concession to pro-labor members of the state Assembly, negotiators agreed to scrap Gov. Pataki's proposal to cap payment for injured workers.

The reform package will trim more than \$1 billion from the \$5 billion in premiums that New York employers pay annually for workers comp insurance, according to those involved in the negotiations.

California earthquake bill stalls

SACRAMENTO, Calif.—Efforts to create a state-run earthquake insurance agency stalled in the California Senate late last week after the state Assembly voted 55-17 to approve creation of the authority.

Opponents in the Senate assert the measure is a bailout for insurers at the expense of consumers, while supporters say it is the best solution for solving a coverage availability crisis. The Senate voted 20-13 Thursday in favor of creating the California Earthquake Authority, but the bill—submitted on an urgency basis—requires a two-thirds majority vote, or 27 votes, to pass.

Senate President Pro Tem Bill Lockyer, D-Hayward, voted against the measure. He insists that four amendments be added to the bill. They would put the interests of policyholders over investors, equalize rates across the state regardless of proximity to seismic activity, and dissolve the agency if secondary mortgage holders attempt to make obtaining earthquake insurance a mandatory condition for obtaining loans. The fourth amendment would allow policyholders to drop coverage if the authority invoked a 20% premium surcharge if its resources were depleted by a major catastrophe.

The bill could be reconsidered this week, but Consumers Union, which opposes the measure, claims that because of heavy insurer lobbying for the CEA, another vote should be postponed until after July 31, when senators report campaign contributions.

Geneva Assurance insolvent

CHICAGO—Geneva Assurance Syndicate Inc., which was declared insolvent last week, will trigger the Illinois Insurance Exchange's \$15 million guaranty fund, though individual claims are limited to \$300,000.

But Illinois state regulators "do not believe the guaranty fund contribution to the insolvency will be sufficient to pay all the claims," said Richard Darling, chief operating officer of the department's Office of the Special Deputy Receiver in Chicago.

The IIE now estimates a \$4.5 million liability will remain after the guaranty fund's contribution, said IIE President James M. Skelton.

A Cook County Circuit Court declared Geneva Assurance insolvent and placed it into liquidation last week. It is the first IIE syndicate to become insolvent since the marketplace was created in 1979.

The syndicate is a wholly owned subsidiary of United Southern Assurance Co. and JBW & Co. Inc., which in turn are affiliates of Concord General Corp. of Concord, Calif. Concord General also owns Classic Fire & Marine Insurance Co. of Crown Point, Ind., which absorbed Classic Syndicate Inc. after the syndicate withdrew from the IIE last year (*BI*, Jan. 8).

The Insurance Department plans to notify a handful of remaining policyholders that policies will be canceled Aug. 11, unless the policies expire or are terminated before that. Claimants have one year to file claims with Mr. Darling's office.

The IIE hopes initial guaranty fund payments can begin soon after all claims are reported, the IIE's Mr. Skelton said.

Geneva Assurance's financial problems stem from commercial policyholders' hurricane and earthquake losses in 1994 and 1995, Mr. Skelton said. IIE officials ordered Geneva Assurance to stop writing new or renewal business in 1995, so its \$35 million in assets could pay earlier claims (*BI*, May 22, 1995).

Love Canal cleanup settlement

BUFFALO, N.Y.—Occidental Chemical Corp. has agreed to settle with another of its insurers for the cleanup of the Love Canal toxic waste site.

Hartford Accident & Indemnity Co., a unit of ITT Hartford Insurance Group, entered into a confidential settlement agreement with Occidental last week on its primary and excess coverage for the chemical company. Occidental is close to reaching settlement agreements with several other of its insurers, the chemical company said in a statement.

See Updates on page 22

Pension reforms vulnerable

Partisan battles over MSAs threaten simplification measures

By MARK A. HOFMANN

WASHINGTON—A package of pension simplification initiatives contained in the minimum wage increase bill could vanish into legislative limbo because of disagreement over health care reform.

The initiatives include proposals that would make it easier for employers to run non-discrimination tests on their 401(k) plans and allow tax-exempt organizations to establish 401(k) plans. The package would also retroac-

tively extend the tax-favored status of employer-provided tuition reimbursements.

But Senate Majority Whip Don Nickles, R-Okla., is blocking the naming of a conference committee to resolve differences between House and Senate versions of the minimum wage bill approved by the Senate last week. Sen. Nickles does not object to the pension simplification provisions of H.R. 3448, though he does oppose the increase in the minimum wage.

His actions, however, really

center on a dispute over medical savings account provisions in other legislation. Sen. Nickles supports the creation of MSAs, which were approved by the House in its health insurance reform bill, H.R. 3103, but never voted on by the Senate (*BI*, June 17).

However, Senate Democrats, notably Sen. Edward M. Kennedy, D-Mass., have blocked the naming of a conference committee on H.R. 3103 because of opposition to

See Pension bill on page 22

Most work killings robbery-related

By MICHAEL PRINCE

Most people have seen the story on the nightly news: A recently-fired employee walks into his old workplace and kills his boss and a few former co-workers before killing himself.

Broadcast less frequently are the hundreds of murders committed each year during robberies. It is these robberies, and not the occasional deranged former employee, that are responsible for the vast majority of workplace murders, a recent study says.

According to the study conducted by the National Institute for Occupational Safety and Health, part of the national Centers for Disease Control and Prevention, 73% of workplace murders in 1994 were robbery-related. This compares with 5% of murders committed by a former employee.

"The circumstances of workplace homicides differ substantially from those portrayed by the media and from homicides in the general population," the study says. "For the most part, workplace homicides are not the result of disgruntled

workers who take out their frustrations on co-workers or supervisors, or of intimate partners and other relatives who kill loved ones in the course of a dispute; rather, they are mostly robbery-related crimes."

There were 1,071 workplace murders in 1994, an average of more than 20 per week, the NIOSH study says.

This is a sharp increase from an average of almost 15 per week during the years 1980-1989 that was reported by NIOSH in a 1993 study (*BI*, Nov. 8, 1993).

See Murder on page 7

Delta insured for claims from fatal air accident

ATLANTA—Delta Air Lines Inc. will be able to tap \$1 billion in liability coverage for claims stemming from a July 6 accident in which a passenger jet engine exploded, killing a 39-year-old woman and her 12-year-old son.

The accident, which occurred as Delta Flight 1288 was taking off from Pensacola, Fla., bound for Atlanta, injured seven others, including two other children of the Michigan woman who was killed.

According to U.S. Department of Transportation documents, Delta's liability coverage, which renewed July 1, is led by United States Aircraft Insurance Group, with 25% of the risk, and Lloyd's of London underwriters and other London insurers, with 26.5%.

The remaining insurers are: La Reunion Aerieenne de Paris with 13%; Associated Aviation Underwriters, 10%; Assurances Generales de France and Groupe des Assurances Nationales, 9%; Aero Assurance Ltd., 8%; AIG Aviation Inc., 5%; and Mutual Marine Office Inc., 3.5%.

Delta's broker is Johnson & Higgins of Georgia Inc.

Federal investigators said a cracked fan hub may have caused

the left engine of the twin-engine MD-88 aircraft to disintegrate, sending pieces of metal into the cabin.

John Schutty, a partner with Condon & Forsyth in New York who specializes in aviation law, said he expects the victims' family to sue both Delta and Pratt & Whitney.

A spokesman for Atlanta-based Delta declined to comment until the National Transportation Safety Board issues its final findings.

Pratt & Whitney, the East Hartford, Conn.-based manufacturer of the JT8D engine that exploded, did not respond to calls for comment.

Also last week, the NTSB issued its final report on the 1994 crash of an American Eagle turboprop plane (*BI*, Dec. 19, 1994), mainly blaming the aircraft's French manufacturer and French aviation officials for failing to disclose knowledge of the plane's tendency for control problems in icy conditions.

Avions de Transport Regional, manufacturer of the ATR-72 that crashed on a flight from Indianapolis to Chicago, disagreed with the report, as did French government officials, who blamed the plane's pilots for the accident.

—By Rodd Zolkos

Deadlines near for BI directories

Business Insurance will publish its annual directory of international reinsurers in the Sept. 2 issue.

The directory is published as an editorial service; there is no charge to be listed. To be included, your company's consolidated worldwide net reinsurance premium volume (both property/casualty and life/health) must exceed \$100 million. Companies must complete and return a *BI* questionnaire by Aug. 2.

The directory of property loss control consultants/engineers will be published in the Aug. 19 issue of *Business Insurance*. To be listed, your company must provide property loss control consulting or engineering services directly to corporations, regardless of whether they purchase other products or services from your company. Questionnaires must be returned by Aug. 2.

To receive a questionnaire for either of these directories, call Assistant Directory Editor Richard Trout at 312-649-5483.

Inside

- A group of health maintenance organizations is offering no-referral access to network specialists. **PAGE 4**
- Pension policy is sure to become an important social and political issue, this week's editorial says. **PAGE 8**
- Workers compensation business is returning to profitability, a Conning & Co. study says. **PAGE 16**
- Insurers in the United Kingdom could face rising claims in the next half-century due to global warming, a report suggests. **PAGE 17**

- An Australian insurer is focusing on Australasian utility business. **PAGE 17**

Departments

- Advertiser Index.....20
- Ask a Benefit Actuary.....15

| | |
|---------------------------------|----|
| Benefit Beat..... | 6 |
| Classifieds..... | 18 |
| Comings & Goings: Industry..... | 14 |
| Insider Trading..... | 16 |
| Insurance Services Guide..... | 19 |
| International..... | 17 |
| Legal Briefs..... | 15 |
| Letters..... | 8 |
| Markets..... | 23 |
| Opinions..... | 8 |
| Products & Services..... | 4 |

Business Insurance (ISSN 0007-6864) Vol. 30, No. 29, is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Periodicals postage is paid at Chicago and at additional mailing offices. POSTMASTER: Send address changes to *Business Insurance*, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207. \$4 a copy and \$85 a year in U.S. \$105 in Canada and Mexico (includes GST). All other countries \$205 a year (includes expedited air delivery). Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement No. 0293512, GST No. 136760444. Printed in U.S.A. Copyright 1996 by Crain Communications Inc.

Hawkins celebrates 25 years as industry leader

By ROBERTO CENICEROS

A photograph among Cheri J. Hawkins' mementos from 25 years as one of risk management's leading pioneers shows her standing atop a stool in her stocking feet while she delivers her incoming address as the first woman president of the Risk & Insurance Management Society Inc.

Her shoes lay nearby, discarded so she could curl her toes around the front of the stool to ensure she didn't move and fall off the narrow platform.

The stool and the discarded shoes were impromptu adjustments after hours of professional coaching on speech, gestures and dress that went into preparation for the delivery.

The adjustments became necessary because the podium delivered



Cheri Hawkins is honored for her devotion to Weyerhaeuser.

Ms. Hawkins has retired from Weyerhaeuser but will keep busy in her new home office with other ventures.

to the hall in Boston turned out to be too tall, she said during an interview at her home near Seattle.

It's just one of her many anecdotes that reflect on the flexibil-



ity, determination and preparation it takes to make it to the top of the profession—especially when much of the ascent happened when female leaders were

scarcer than they are today.

Ms. Hawkins was RIMS' 1990-1991 president. She retired June 1 as assistant treasurer and director of insurance for Weyerhaeuser Co., a wood products manufacturer in Tacoma, Wash., where she began her risk management career in 1971.

Today she is leveraging her experience directing Weyerhaeuser captives by acting as a consultant to a family-owned Seattle company that wants to form a captive in Bermuda.

She also remains active in the Vermont Captive Insurance Assn., where she serves as vp/secretary on the board of directors and is chairing its 11th annual conference in August.

To be sure, Weyerhaeuser gen-

erously contributed to her career development and years of participation in RIMS.

Ms. Hawkins explained that the company is committed to investing resources in helping employees plan their career paths, including involvement in professional associations.

Weyerhaeuser committed early in her career to support her for several years while she ascended through RIMS committees to the presidency. That included years when she would spend many hours away from her job on RIMS business. Weyerhaeuser also furnished a speech writer once she became president.

But there were also obstacles along the way, such as in the early days of her management career, when it was difficult to reserve a

See Hawkins on page 20

De-mergers the next trend for business

By RODD ZOLKOS

CHICAGO—After decades in which corporate mega-mergers were all the rage, the trend in the last half of the 1990s is toward "de-mergers," corporate breakups that bring with them their own set of risk management concerns.

Typically exposures themselves don't change after a de-merger, though some could be concentrated in a newly created entity.

More critical, perhaps, is that the spinoff company likely will have less capacity to retain risk than did the original company and thus will have to re-

Risk management's ties to corporate finance12
Need for risk management standards debated.....13

structure its insurance coverage.

Speaking last month in Chicago at the annual risk management forum for financial officers sponsored by Liberty Mutual Group and CFO Publishing, Robert H. Gruhl, senior vp of Boston-based Liberty Mutual, noted that in the 1960s, '70s and '80s there was a belief that an organization could diversify its earnings and reduce risks by acquiring various sorts of operations.

"The belief that that would be rewarded by customers and the market turned out to be false," Mr. Gruhl said. Now those conglomerates are starting to "de-merge."

Many newly formed conglomerates found their size producing unintended results, like inefficient management and diversion of resources from core business operations.

The common theme among de-mergers, such as that occurring at telecommunications gi-

See De-merge on page 12

Oversight law's impact less than anticipated

By MEG FLETCHER

MONTPELIER, Vt.—Vermont's newly implemented authority to oversee the National Assn. of Insurance Commissioners is less necessary to govern NAIC activities now than its drafters had anticipated.

That's because the threat of codifying state oversight, which was first proposed two years ago, has already spurred the NAIC to open its budget-making process and most meetings (BI, Sept. 4, 1995).

The Vermont law, which was signed into law last year and took effect July 1, emphasizes that "the General Assembly reserves to itself both the power and the responsibility to make fundamental public policy decisions relating to insurance regulation."

The law is designed to provide state legislative oversight of the NAIC and ensure that NAIC fees "are reasonable and subject to approval by a publicly accountable

person or body."

In light of developments during the past year, "I don't think it (the law) will make a lot of difference now," according to Elizabeth R. Costle, Vermont's commissioner of banking, insurance and securities.

NAIC President Brian Atchinson agreed.

The major effect of the law will be to continue the status quo, with a slight increase in NAIC reporting requirements, said Mr. Atchinson.

Because earlier versions were more onerous, "we were pleased to see the dramatic scale-back of the version before it was enacted," he said.

From the point of view of most insurance commissioners, the law now appears to be "a solution in search of a problem," because the NAIC's new openness resolves many of the concerns that prompted the legislation, he said.

However, Ms. Costle said, "I

See Vermont on page 6

HMO stocks decline

NEW YORK—A sell-off of managed care stocks that swept the industry late last week should be viewed more as a temporary downturn rather than a crash, analysts say.

But it may result in higher premiums for some managed care buyers, most notably those of United HealthCare Corp., whose sharp stock drop set off the selling Thursday.

After news that Minneapolis-based United HealthCare was reporting second-quarter net income of between 40 and 45 cents a share, compared with 51 cents a share for the same period in 1995, a wide range of health care stocks plummeted in value Thursday.

United HealthCare, a leader in cost management, gave many reasons for its results. When it bought MetraHealth Cos. last year (BI, July 3, 1995), it took on a large group of fee-for-service members, incurring greater than expected costs, analysts say. As a result, United HealthCare's ratio of costs to premium income rose to nearly 35.5% in the second quarter from 32.8% in the first quarter 1996.

United HealthCare also said MetraHealth had overestimated potential savings available through its provider contracts. United HealthCare also anticipates losses on two large multiyear contracts in its St. Louis plan.

As part of the company's attempt to improve profits, plan sponsors may see their 1997 United HealthCare renewal rates jump. The company said it raised rates 4% to 5% for February through May renewals, in contrast to rate increases averaging less than 1% in January. The higher pricing will continue, the company said.

High demand for HMOs and high profits that characterized managed care between 1983 and early 1995 have been replaced by new cost pressures and, in some areas, price pressures, said Michael LeConey, an analyst with National Securities Corp. in New York. United HealthCare's earnings should improve within a year, he said.

—By Robert Kazel

Benefit outsourcing rises: Study

By CRISTAL CODY

Outsourcing of employee benefit functions is on the rise and is likely to stay that way, a benefit consultant reports.

A survey by Buck Consultants Inc. found that of 231 employers surveyed, 47% outsource some benefit functions and 56% of those employers plan to outsource other benefit functions in the future.

Sixty percent of employers outsourcing employee benefit functions do so because they want technical and regulatory expertise, while 59% seek more value for their dollars. Improving customer service was an often cited objective, mentioned by 51% of those outsourcing employee benefit functions.

Other objectives for outsourcing were to focus on the company's core businesses, cited by 21% of the respondents, and to regain control of scattered processes, an objective of 22%.

Nearly half of employers that outsource some benefit functions

reported no impact yet on their benefits departments after outsourcing, and 24% say it's too soon to tell.

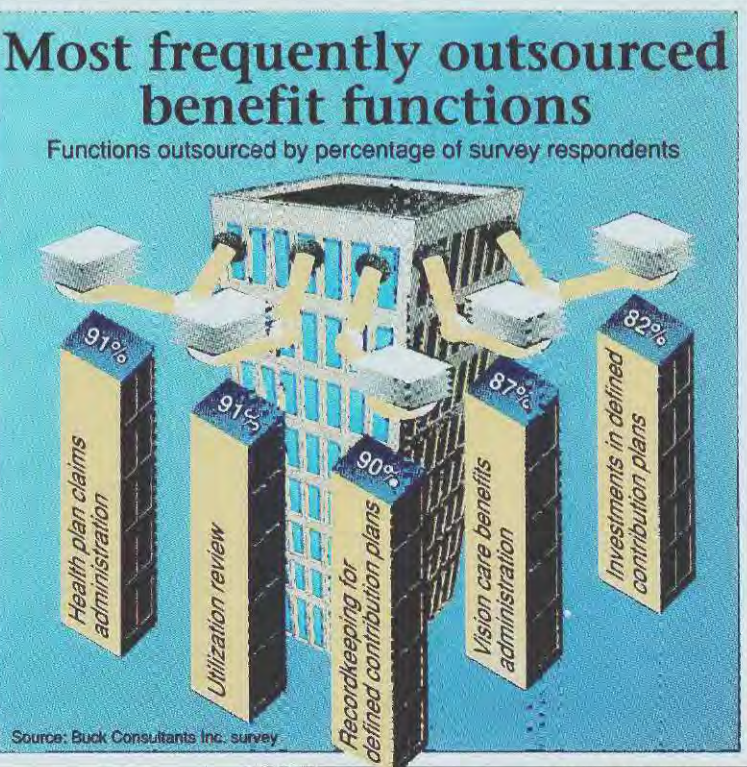
However, at 23% of the surveyed companies, there was a decline in the size of benefit departments after outsourcing by at least 10%.

According to the survey findings, the average employee benefit department staff dropped to six employees from nine after outsourcing.

John McGlone, a Buck administrative consultant, said there just has not been enough time for major positive or negative effects of outsourcing to show up. "It's not a mature process at the moment," he said. "I think over time, the impact will be a lot clearer."

Outsourcing even more functions in the future is on the agenda of 56% of the employers. Of those surveyed, 72% want to hire outside vendors to provide employees with more technological support, including 800 lines, kiosks and more user-friendly

See Outsource on page 7



GRAPHIC BY TONY BUCCINI

HMOs offer no-referral approach

CHICAGO—Health maintenance organization plans that allow members to seek help directly from in-network specialists without the referral of a primary care physician gatekeeper are being marketed by United HealthCare of Illinois and Blue Shield of California.

The United HealthCare product, called Open Access, is designed to give patients as much choice as possible to select primary care physicians and specialists and retains an out-of-network option at a lower benefit reimbursement level. The area network encompasses 98% of Chicago-area hospitals.

Open Access, available beginning Aug. 1 to businesses in the Chicago area, covers prescriptions, office visits, hospital services and preventive care.

Products & Services

The no-referral approach previously has been implemented in 15 other states where United HealthCare operates.

For more information on the product, contact United HealthCare's business service center, 800-237-4930.

In a similar move, San Francisco-based Blue Shield of California is now offering a new HMO, Access+ HMO, which allows members to see specialists within the medical group without a referral form and without a loss of maximum reimbursement. A \$30 deductible applies.

Access+ HMO also features a

money-back guarantee by which members dissatisfied with a doctor visit can get their copayment back by sending in a postage-paid postcard.

For more information, contact Ken Prewitt-Wood, senior vp of marketing, 415-445-5019.

AISG safety book

NEW YORK—A book to help companies plan for emergencies such as chemical leaks, fires and explosions involving hazardous materials is now available from the Engineering and Safety Service of the American Insurance Services Group Inc.

The book, "Chemical Emergency Preparedness: HAZWOPER Planning for General Industry," ex-

plains how to formulate action plans that meet the requirements of the Occupational Safety and Health Administration's Hazardous Waste Operations and Emergency Response, or HAZWOPER, rule.

The guide presents an overview of HAZWOPER response requirements, information on how to write plans, self-monitoring checklists, and excerpts from OSHA rules.

New York-based American Insurance Services Group and its Engineering and Safety Service unit collect loss control information for the property/casualty industry.

The single-copy purchase price of the book is \$22, or \$17 for Engineering and Safety Service subscribers. For more information, contact E&S publications, 800-533-2474. **EI**

Newsroom personnel changes

CHICAGO—*Business Insurance* has made several changes to its editorial staff in Chicago.

Kathy L. Knight has joined the magazine as graphics editor. Todd J. Behme has joined as copy editor and Lee C. Velker has been promoted to copy editor.

Ms. Knight, 39, replaces Eric J. Williams, who left *BI* to accept a graphics position with the American Bar Assn.'s publications division.

Ms. Knight previously was in charge of editorial systems support in the production department of Crain Communications Inc. in Chicago, which publishes *Business Insurance*.

Prior to that, she served from



1988 to 1995 in various managerial and supervisory roles for the composing and typesetting departments of Crain.

Ms. Knight Ms. Knight joined Crain Communications in 1979 as an advertising production manager.

Ms. Knight holds a bachelor of arts degree in graphics arts from Illinois State University in Normal.

Ms. Knight can be reached at 312-649-5485.

Mr. Behme, 28, replaces Regis J. Coccia, who recently was promoted to assistant managing editor.



Prior to joining *BI*, Mr. Behme was an account executive with The Reynolds Communications Group, a public relations firm in Evanston, Ill.

Mr. Behme Prior to that, Mr. Behme served as a reporter and as a copy editor for The Rockford Register Star in Rockford, Ill., from 1992 to 1995.

In addition, Mr. Behme was a reporter for the St. Cloud Times in St. Cloud, Minn., from 1990 to 1992.



Mr. Behme received a bachelor of science degree in journalism from the Medill School of Journalism at Northwestern University in Evanston, Ill.

Mr. Velker Mr. Behme can be reached at 312-649-5440.

Mr. Velker, 22, is being promoted to copy editor from assistant copy editor.

Mr. Velker joined *Business Insurance* in September 1995 after serving as an editorial intern in Chicago.

He has also served as an associate editor and staff writer for Southeast Ohio magazine in Athens, Ohio.

Mr. Velker holds a bachelor of science degree in journalism from the E.W. Scripps School of Journalism at Ohio University in Athens.

Mr. Velker can be reached at 312-649-5283. **EI**

THE U.S. BEACH VOLLEYBALL TEAM OF MIKE WHITMARSH AND MIKE DODD WON'T BE THE ONLY NEW TEAM IN ATLANTA.



When Bob Bridges, the Risk Manager for Randstad Staffing Services, faced the challenge of handling workers' comp claims arising from 20,000 Olympic employees during the games, he asked Ward-THG to tailor a responsive program.

More and more risk managers are calling our team of professionals for Third Party Administration, Field Adjusting and Specialty Risk Services. For the best in claims services, call Ward-THG at (800) 274-9844.



In Association With
Thomas Howell Group

P.S. Good luck to Mike and Mike.
Bring home The Gold!

Ward-THG
Claims Adjusters & Administrators

Toy Monkey

Made in
Taiwan

17 January
1345 hrs



YOU CAN IMPORT MANY THINGS FROM FOREIGN SUPPLIERS. INCLUDING PRODUCT LIABILITY SUITS.

Doing business overseas can often leave you exposed to risks at home. Risks like paying claims because your foreign suppliers don't carry their own product liability coverage. Or worse, that your foreign supplier is simply nowhere to be found.

Introducing the AIG Companies' Product Liability Wrap-Up coverage for US distributors. In our unique policy, we cover both US distributors and foreign suppliers. With both parties under one domestic policy, you'll protect yourself from potentially costly litigation, control your exposures and ultimately reduce your costs.

How? No searching for a foreign insurer. No questionable

insurance certificates. And no discontinued suppliers. Instead, your interests are protected by one policy and a team of expert claims managers. And the unsurpassed financial strength and security, including Triple-A ratings, of the AIG Companies backs it all up.

To protect your interests at home while doing business abroad, call us at 1-212-770-1007. With a policy that eliminates supplier-distributor litigation, you may even strengthen your business relationships.

WORLD LEADERS IN INSURANCE AND FINANCIAL SERVICES
American International Companies, 70 Pine Street, New York, NY 10270



Nashville coalition using quality data

By ROBERT KAZEL

NASHVILLE, Tenn.—After two years of gathering data on the quality of hospitals in the Nashville area, a coalition of three large companies and a union is preparing to make more use of the information to choose employee health plans.

The three Nashville-based employers—Kroger Co., Gaylord Entertainment Co. and Bridgestone/Firestone Inc.—and United Food and Commercial Workers Local 1995 began a three-year initiative in June 1994 to gather information on hospital quality, cost and efficiency (BI, July 11, 1994).

Eight hospitals are voluntarily submitting data to Iameter Inc., a San Mateo, Calif., research firm hired by the study sponsors to compile reports for employers and the hospitals. The employers are able to see individual data for each hospital, while the hospitals receive blind reports masking competitors' identities. The information has not yet been made available to employees.

Sponsors of the study, except for Kroger, have not used the information to evaluate hospitals in selecting health plans, but that will change this year, said Stephen Wood, director of human resources and labor relations for Kroger. "I have used the data in helping make decisions in 1995 for selection of HMO products in 1996," he said.

The two HMOs Kroger chose for two-year contracts are allied with two Nashville hospitals that are working with Iameter in a special program to identify weaknesses and improve outcomes over time, he said.

Bridgestone/Firestone Inc. also plans to begin using information from the study in choosing employee health plans, said Ron Tepner, director of human resources.

"We're moving to a more finite definition of who's producing quality care in the Nashville area," he said, adding that buyers have been frustrated by wide variations in hospital pricing of identical procedures. The Iameter data "will certainly be a strong influence" in which health plans get contracts for 1997, he said.

Information collected in the study includes lengths of stay, average charge per case and mortality rates. Although it is impossible to prove that the study itself is spurring better outcomes, recent trends for the eight hospitals are encouraging, Mr. Wood said. For all participating hospitals, length of stay dropped by 1.6% in the second year, which ended last month. Also, mortality rates dropped 9% in the same period.

In addition to using the study for plan selection, both Bridgestone/Firestone and Kroger intend to use the three-year data in case the companies enter into direct negotiations with hospitals for medical services, bypassing managed care plans.

Colon cancer tests

INDIANAPOLIS—Five hundred employees of Eli Lilly & Co. have taken advantage of a potentially lifesaving health benefit that is nowhere to be found in descriptions of the company medical plans.

Last year, the drug manufacturer decided its 12,000 Indiana-based employees should have convenient and free access to tests for colon cancer. Colon cancer is the second-leading cause of cancer death of Americans after lung cancer, but the procedure most likely to spot problems early—the colonoscopy—is expensive and is not covered as a screening tool by either the company's traditional or managed

Benefit Beat

care health plans.

"The ability to pick up a cancer lesion early is very, very real," said Dr. Greg Larkin, Lilly's director of corporate health services.

Lilly mapped out a pilot plan by which employees not showing any symptoms of illness could routinely get colonoscopies after the age of 40.

The program was designed not to be overly burdensome on the company, because Lilly worked out discounted, fixed prices with a large, board-certified gastroenterologist group in Indianapolis as well as smaller medical groups around the state for workers outside the state capital. By requiring tests to be taken within this ad hoc preferred provider network, Lilly pays less than half of the average \$500 cost of a colonoscopy, Dr. Larkin said. Workers are encouraged to repeat the screenings every five years.

Costs have been kept down further by using one laboratory to analyze tissue samples statewide, he said.

The program may be averting major illness and possibly saving lives, Lilly executives believe. Of those who have used the program so far, about one in four employees were found to have colon polyps that needed to be removed, and the majority of those were considered precancerous, Dr. Larkin said. One case of cancer also was detected, he said.

Lilly's waiting list for colonoscopy appointments is filled through November, he said. Eventually, he said, the company would like to persuade its insurers to take on the responsibility of the screenings.

"Unless there's something under

a stone we haven't overturned, there is not an indemnity plan or an HMO that pays for a screening colonoscopy," he said. "(But) down the road, it would be our intention to negotiate with our managed care partners to include this as a managed benefit."

Partner benefits

PALO ALTO, Calif.—Declaring it is in the company's best interests to create a diverse work force, Hewlett-Packard Co. is planning to offer health benefits to domestic partners of employees early in 1997.

The Palo Alto, Calif.-based manufacturer of electronic products and systems will make medical coverage available to partners of the same or opposite sex, and later plans to offer these couples other benefits, said Art Young, benefits manager.

"We want to have an inclusive

environment with different employees and different cultures and interests," Mr. Young said.

The company defines domestic partnership as two adults living in an ongoing and committed "spouse-like" relationship. They must reside together and be jointly responsible for each other's welfare and financial obligations. Their children also will be eligible for health insurance.

Based on the experience of other Silicon Valley companies that have liberalized health benefits, Hewlett-Packard is expecting about 1% of its 62,000 U.S. employees to request coverage for domestic partners, Mr. Young said. An additional 46,000 employees in foreign countries will not be offered benefits for partners initially but may be offered them later depending on a country-by-country assessment of government policies and regional culture, he said. **BI**

Vermont

Continued from page 3

think this legislation was one of many factors that encouraged new openness."

The NAIC's more open approach was considered a win for Vermont, which linked the NAIC's need for more openness with its quest for accreditation. Success on both was reached last September.

More openness also was seen as a win for the NAIC. It makes more friends among state lawmakers by encouraging their comment on accreditation requirements and other model laws in the proposal stage, rather than after they reach final form. Lawmakers' approval is needed before such measures can be enacted in most states.

The problem historically has been sustaining that communication link at an effective level. The NAIC now has notification requirements to lawmaker groups to ensure adequate opportunity for public comment. It also has established a State Legislative Liaison Committee to help formalize the communication process.

"The climate has changed," agreed Robert E. Mackin, executive director of the National Conference of Insurance Legislators in Albany, N.Y.

The NAIC removed an important barrier to accreditation of the Vermont Insurance Department when it decided to suspend a requirement that risk retention groups organized as captives be regulated as property/casualty insurance companies. An NAIC subgroup studying results-oriented regulation is now considering the matter, including reviewing Vermont's well-regarded approach, which regulates such entities under its captive law.

"We are looking at this (law) in a cooperative spirit," the NAIC's Mr. Atchinson said.

The NAIC will comply by providing Ms. Costle with required data for an annual report on its finances, accreditation requirements and assorted policies related to open meetings, he said. That material also may be reviewed by NCOIL, according to the law.

The Vermont law also gives Ms. Costle broad authority to establish and authorize all "fees, assessments and charges" that companies domiciled in Vermont are required to pay to the NAIC, including annual statement filing fees and securities valuation fees.

However, she expects most Vermont-based insurers will continue

their policy of paying fees and charges as established by the NAIC. "I don't think this will be a big deal for the NAIC or for us," she said. "I don't see it as being a confrontational or a burdensome process."

At the same time, she will be studying whether the fees and assessments charged insurers are reasonable. Analyzing that requires working backwards from the budget to determine if the amounts being spent for different programs and projects are reasonable. It also requires making judgments about the appropriate use of insurer funds, including fees filed with annual statements the NAIC analyzes in its database.

While some NAIC critics complain that such fees should be used only to support programs directly related to solvency regulation, Ms. Costle supports allowing "reasonable" cross-subsidization so those fees could fund other worthwhile programs.

The subject of NAIC oversight appears to be a back-burner issue in several other states that had previously raised questions about it.

Texas' joint legislative committee on workers compensation, which also unofficially reviews NAIC operations, has been quiet since the NAIC released the salaries of the five highest-paid staff members last year, said state Rep. David Counts. However, lawmakers there are beginning to ask questions about the NAIC's review of insurer accounting practices, he said.

"I think we are making progress," Rep. Counts said. "I think the NAIC leadership is moving in long strides, but the staff is moving in short steps and needs to catch up."

In addition, lawmakers in New Jersey and New York introduced legislation similar to Vermont's last year, but neither bill got out of committee.

However, one Michigan lawmaker is taking a more active approach in an effort to protect the state's investment law, which takes a "prudent person" approach.

State Rep. John Llewellyn oversaw adoption of an amendment to a pending state Senate bill that would cut off NAIC funding from Michigan insurers when the NAIC's activities threaten state sovereignty.

The action may be premature, though, because the NAIC is considering adopting investment law guidance that includes both a "pigeonhole" and "prudent person" approach.

However, NCOIL expects to discuss NAIC oversight at a meeting July 19-21 in Minneapolis. **BI**

ONE VISIT TO OUR WEB SITE COULD SAVE YOU THOUSANDS

Maybe millions.

Introducing SmartSite, a unique Web site with sound risk management advice, interactive skill tests, timely information and related Internet links. It's designed to help you better manage risk — a topic Arkwright knows well.

Last year, for example, in one of the worst hurricane seasons ever, Arkwright customers experienced insured windstorm losses at only five locations — well below industry average.

Curious? Visit SmartSite. We have a feeling you'll come back.

www.arkwright.com

ARKWRIGHT

1-888-ARKWRIGHT

Outsource

Continued from page 3
software. Fifty-two percent plan to renegotiate performance standards with current benefit service vendors and 35% want to change vendors.

The employee benefit and human resources functions that employers most frequently outsource, the survey indicates, are medical claims administration, health and welfare plan utilization review, defined contribution plan recordkeeping, defined contribution plan investments and vision care benefits.

Of the respondents that completed questions on defined contribution plans, 66% outsource plan administration, 90% outsource recordkeeping and 82% outsource investment management. Processing the withdrawal of participants from the plan is outsourced by 77%, investment education by 74%, regulatory compliance by 76%, loans by 71%, and enrollment by 40%.

Meanwhile, 66% administer their defined benefit plans in-house. Of those, however, 68% outsource investment administration for the plans. Of the respondents that completed questions about defined benefit plans, 55% outsource regu-

latory compliance, 51% outsource recordkeeping, and 43% outsource retirement processing.

Among the respondents that outsource defined contribution plan

was deemed more efficient after outsourcing by 53% of the respondents, utilization review by 66% retiree medical by 60%.

Large companies typically out-

More employers believe it is better to implement the outsourcing of employee benefit functions on a plan-by-plan basis, with 45% of respondents doing that, Buck found.

administration, 81% said efficiency increased, 78% said recordkeeping efficiency increased and 72% said investment efficiency increased.

In general, daily administration of health and welfare plans is handled in-house by 68% of the respondents.

However, medical claims administration and utilization review are outsourced by 91% of the companies, vision care benefits by 87%, employee assistance programs by 77%, dental benefits by 76%, long-term disability benefits by 58%, retiree medical benefits by 56%, life insurance by 55% and COBRA and regulatory compliance by 45%.

Medical claims administration

source benefit administration more than smaller organizations, the survey found. According to the survey, 64% of the companies that outsource have more than 5,000 employees while only 34% of the companies with 500 or less employees outsource.

Among other survey findings:

- More employers believe it is better to implement the outsourcing of employee benefit functions on a plan-by-plan basis, with 45% of respondents doing that. Only 36% of respondents prefer to outsource all desired functions at once, the survey found. The remainder of responding employers phased in outsourcing arrangements, using other than a strictly plan-by-plan approach.

- Of the employers that answered a question about the decision-making process that preceded outsourcing, 52% reported using an internal task forces to make any outsourcing decisions. The company departments represented on the task forces included: human resources, 81%; employee benefits, 72%; finance, 57%; payroll, 30%; and management information systems, 27%.

- Some employers still do not want to try outsourcing, and the

most common reasons for not outsourcing employee benefits functions are concerns over loss of control, company philosophy and company size, the survey found.

- The average number of vendors employers use for outsourcing services is six, but 14% use more than 10 vendors.

- The average contract length with a vendor is one year, the survey found, although 21% had contracts lasting an average of three or more years. Some contract safeguards employers are using with vendors include auditing provisions, performance standards and cost caps.

Copies of the survey, "Outsourcing: Human Resource & Employee Benefits Administration," are available for \$100 from Ed Gadowski, Buck Consultants Inc., 500 Plaza Drive, Secaucus, N.J. 07096-1533; 201-902-2555.

Murder

Continued from page 2

The 1994 figure places homicide as the second leading cause of workplace death, trailing only automobile accidents. Firearms accounted for 76% of the murders with another 12% caused by knives and other cutting devices.

Taxicab services, grocery stores, liquor stores and detective/protective services were cited as the most dangerous industries.

In the three-year period of 1990-1992, there were 138 murders in the taxicab industry, a rate of 41.4 murders per 100,000 workers. This rate is nearly 60 times the national average of 0.70 murders per 100,000 workers.

The largest number of homicides occurred in the grocery store industry with 330 during 1990-1992, a rate of 3.8 per 100,000 workers. Liquor stores had the second highest rate at 7.5 murders followed by detective and protective services with a rate of 7.0. After grocery stores, the second-highest number of murders was reported by eating and drinking places, with 262, or a rate of 1.5 per 100,000 workers.

Certain factors contribute to a higher risk of murder. These include a greater frequency of dealing with the public, exchanging money and the delivery of services or goods.

Besides murders, the study examined the nearly 18,000 workplace assaults that occur each week. Surprisingly, nursing homes represented the

most common place for assaults, with 27% of all reported assaults, followed by social services, 13%, and hospitals with 11%.

Perhaps more unusual is that 45% of all assaults were caused by health care patients, according to the study. The assaults consisted mostly of hitting or kicking health care workers.

Beyond compiling data, the study recommends changes in ways that work is performed in high-risk settings. "We must also change the way we think about workplace violence by shifting the emphasis from reactionary approaches to prevention, and by embracing workplace violence as an occupational safety and health issue," the authors say.

Changes include limiting cash in retail stores, increasing cashless transactions for stores and taxis, increased use of bulletproof glass, using escort services and limiting access to work areas.

Looking ahead, the study says that since the majority of homicides and assaults occur in the growing service sector, violence in the workplace will take on greater importance.

"As the U.S. economy continues to shift toward the service sectors, fatal and nonfatal workplace violence will be an increasingly important occupational safety and health issue," the report states.

To get a free copy of the study, publication 96-100, contact Publications Dissemination, EID, National Institute for Occupational Safety Health, 4676 Columbia Parkway, Cincinnati, Ohio 45226-1998; 800-356-4674.

Piper Jaffray to settle suit

MINNEAPOLIS—Piper Jaffray Cos. will pay \$15.5 million to settle a suit filed by investors in bond funds that sustained losses when the investment firm's derivatives investment strategy soured in 1994.

The Minneapolis-based company will pay the settlement in increments over the next several years, a company spokeswoman said, with Piper Jaffray recording a \$15.5 million charge in the quarter that ended June 30.

The settlement of the suit, which had been filed in U.S. District Court in Seattle, also calls for Piper Jaffray to offer to repur-

chase at net asset value 10% to 25% of investors' shares in the seven funds in question. "That releases the economic benefit of the net assets of the funds to the shareholders," the spokeswoman said, noting the current value of the assets is significantly greater than the market value of the fund shares.

With other investor suits still pending, Piper Jaffray now has paid approximately \$100 million to settle with fund participants who allege they weren't adequately informed of risks associated with the funds.

—By Rodd Zolkos



WORLD CAPTIVE & ALTERNATIVE RISK FINANCING FORUM

November 17-20, 1996
Turnberry Isle Yacht & Country Club
Aventura, FL (near the Miami & Ft. Lauderdale Airports)

Sponsored By:

- Business Insurance
- Skandia International
- Risk Management/SINSER
- Tillinghast-Towers Perrin

This year's program, focusing on 'Captives and Beyond,' includes general sessions, roundtable discussions and workshops on ...

- Special captive basics seminar
- Captive owners roundtable breakfast
- Global risk financing alternatives
- Captive users and the tax man
- Rent-a-captive: Why own when you can rent?
- Emerging alternative risk financing developments in the next captive hot spot—Latin America
- Strategic risk financing
- How to work with your reinsurer to build the best risk financing program
- Investments: Index funds—The wave of the future?
- Aggregate stop-loss and finite reinsurance

- Market update: London, Europe, the United States and Bermuda
- Fronting factors
- Captive solutions to health care issues
- The pros and cons of self-management versus contract management
- The entrepreneurial approach to alternative risk financing
- Captive case studies—four seasoned veterans tell how and why
- Plus, meet the experts from the captive and alternative risk financing marketplace in an inviting exhibit arena.

Registration includes all sessions, continental breakfasts, lunches, receptions, pool party and workbook materials, plus access to the exhibit hall.

\$1,200 Full registration

\$975 for second and subsequent registrant from same company

\$975 Risk manager's full registration (no additional discounts apply)

\$2,000 Exhibitor's fee (space is limited, available on a first-come, first-serve basis)

Plus, optional World Captive golf and tennis tournaments.

Call Judith Harrington, Conference Director,
612-928-4659



Opinions

Setting stage for reforms

NO MATTER WHO sits in the White House after the November election and no matter which party controls Congress, one thing appears virtually certain—pension policy will emerge as a major social and political issue in the next few years.

That's why the ERISA Industry Committee's just-released white paper, "Getting the Job Done," is so welcome. The ERIC document, released last week, can help frame the inevitable debate over who should pay—and how they should pay—to support a growing retiree population.

The debate is inevitable because the Social Security system cannot meet the demands of the retiring baby boom generation without undergoing radical change. As things stand now, the Social Security system is projected to become insolvent around 2030. Without fundamental change of the current setup, benefits will have to be slashed or payroll taxes will have to be increased.

That means there will be increased pressure on the private pension system, particularly where employers are concerned. The ERIC white paper's emphasis on bolstering the employer-based pension system before there is a crisis is the right message at the right time.

The white paper contains numerous detailed suggestions. Some facets of the basic philosophy guiding those recommendations deserve to be highlighted because they underscore why pension reform must be instituted—and instituted soon.

For example, the white paper calls for expansion of the current voluntary, market-based system by allowing employers greater flexibility in providing benefits to their employees. Overly restrictive federal rules only can assure that fewer, rather than more, employees enjoy the full benefits of a private system.



"I SAID: ANOTHER SHORT EXTENSION AIN'T ENOUGH!"

That of course means they will look toward an already overextended federal government for their security.

The white paper also is right on the mark by calling on the government to follow long-term retirement policies rather than what is politically expedient. Legislators' bowing to political pressure has been one of the key reasons for the Social Security system's looming troubles.

These are issues that will have to be addressed as the debate over retirement income policy begins. The ERIC white paper has provided a reasonable and needed framework in which that debate can be conducted.

Letters

Names pay price for bad judgment

To the editor: Thomas Peterson's letter in your July 1 edition, "Name's Woes Due to Poor Judgment," expressed the sentiments of many thoughtful insurance people including myself. I have been amused, perhaps disappointed, when I have seen the names of contemporaries included in lawsuits against Lloyd's.

Eighteen years ago I made my first trip to London and during those initial experiences determined that I was not prepared to undertake a personal exposure that included "unlimited liability." I dare say that the list of Lloyd's names includes many who would hold them-

selves out as insurance professionals. No doubt, each had the chance to purchase stop loss cover which would have offered substantial protection against catastrophic loss. Some did, but not Mr. Flesvig.

As Mr. Peterson so aptly stated, the issue unfortunately comes down to one of poor judgment and the desire to have others pay the tab. One would hope that we can do a better job in the future of making the case that we are truly professionals.

Jim Edwards
Bailey Special Risks
Hendersonville, Tenn.

Loss control incentives lacking

To the editor: The May 20 article, "German Companies on Alert," raises a number of relevant concerns about fire protection standards in Germany. What is particularly interesting is the quoted opinion of property insurers that the problem is caused entirely by the attitude of German industry.

As a company that has over the past few years purchased several German

plants in the paper and packaging industry, we have had to address the matter of insufficient fire protection standards.

We have faced many challenges in upgrading fire protection systems to a standard appropriate to inclusion in a global program.

The underlying cause of inadequate levels of protection is not solely lack of interest by German manufacturers but the insurance industry itself.

Property premiums are overpriced with inadequate discounts applied to risk improvements.

Underwriters and brokers have focused on high premium and brokerage incomes rather than encouraging improvements with appropriate premium reductions.

Approving authorities, including the Verband der Schadenversicherer, with

Don't let auditors interpret cover

To the editor: Chris Campos' June 24 letter to the editor, "Working Together Serves Claimant Better," unwittingly reinforces the notion that policyholders need their own accounting experts to counter the insurer's auditors, and aptly likens today's business interruption loss adjustment process to an IRS audit.

The last thing a risk manager should do is entrust policy interpretation and loss measurement to the adjuster and auditor. Legitimate differences exist on practically every claim. Only those who believe that the IRS has the best interest of the taxpayer in mind would believe that the adjuster and auditor would resolve such differences in the policyholder's favor.

By attributing the existence of disputes and misunderstanding to the involvement of professional claim preparers, Mr. Campos confirms the paranoia of auditors whose work is often taken at face value and rarely scrutinized by professionals of commensurate experience. I suppose the IRS would prefer to deal directly with the taxpayer, too, especially when millions of dollars are at stake.

Adversarialism has crept into the loss adjustment process in no small part because of fierce competition among a handful of investigative accounting firms who audit claims on behalf of insurers. Fortunately, many CPAs still subscribe to the old-fashioned notion that the loss adjustment process is a search for the truth, not an exercise in posturing and negotiating strategy. And, certainly not anything like an IRS audit.

John D. Dempsey
Dempsey, Myers & Co.
Wilton, Conn.

Business Insurance

Reporting weekly on corporate risk,
employee benefit and managed health care news

| | |
|--|--|
| Vice President/ Publisher/Editorial Director: | Kathryn J. McIntyre, A.R.M. (Chicago) |
| Editor: | Paul D. Winston (Chicago) |
| Editor-at-Large: | Jerry Geisel (Washington) |
| Managing Editor: | Roseanne White (Washington) |
| International Editor: | Stacy Shapiro (London) |
| Senior Editors: | Meg Fleicher, A.R.M. (Chicago) Judy Greenwald (San Jose) Dave Lenckus (Chicago) Douglas McLeod (New York) Joanne Wojcik (Los Angeles) Regis J. Coccia (Chicago) |
| Assistant Managing Editor: | |
| Washington Editor: | Mark A. Holmann (Washington) |
| Bureau Chief: | Michael Schachner (New York) |
| Copy Editor: | Sara J. Harty (Chicago) Lee Velker (Chicago) |
| Associate Editors: | Michael Bradford (Dallas) Deborah Shalowitz Cowans (Chicago) Roberto Cenicerros (Los Angeles) Sarah Goddard (London) Robert Kazel (Chicago) Sally Roberts (Chicago) Gavin Souter (New York) Rodd Zolkos (Chicago) |
| Directory Editor: | Sandra L. Budde (Chicago) |
| Assistant Directory Editor: | Rich Trout (Chicago) |
| Editorial Assistant: | Ovie M. Dent (Chicago) |
| Assistant to the Publisher: | Karen Brown Tucker (Chicago) |
| Editorial Cartoonist: | Roger Schillerstrom (Chicago) |
| Advertising Director: | Martin J. Ross III (New York) |
| Eastern Advertising Manager: | Stephen P. Lincoln (New York) |
| Midwest Advertising Manager: | Robert L. Niesse (Chicago) |
| District Managers: | Cynthia Bykowski (New York) Blake Delany (New York) Barrie Harmelin (New York) Deborah D. Neale (Chicago) James Patten (New York) |
| Sales Assistant: | Lori Lieberman (Los Angeles) |
| Classified Advertising Manager: | Cheryl Bulter-Adeszko (Chicago) |
| Production Manager: | Elmer Kerslowski (Chicago) |
| Director of Communications: | Ronnie J. Drachman (New York) |
| Promotion Coordinator: | Barbara O'Brien (New York) |
| EDITORIAL: | Chicago: 312-649-5398 Dallas: 214-361-2295 London: 171-457-1400 Los Angeles: 213-651-3710 New York: 212-210-0100 San Jose: 408-774-1500 Washington: 202-662-7200 |
| ADVERTISING: | New York: 212-210-0228 Chicago: 312-649-5276 Los Angeles: 213-651-3710 New York: 212-210-0132 |
| COMMUNICATIONS: | New York: 212-210-0132 |
| SUBSCRIPTIONS: | Detroit: 800-678-9595 |

Published by Crain Communications, Inc., Chicago

| | |
|--------------------------------------|----------------------------|
| Founder: | G.D. Crain Jr. (1885-1973) |
| Chairman Emeritus: | Mrs. G.D. Crain Jr. |
| Vice Chairman: | Keith Crain |
| President: | Rance Crain |
| Chairman-executive committee: | S.R. Bernstein (1907-1993) |
| Treasurer: | Mary Kay Crain |
| Secretary: | Merrilee P. Crain |
| Executive Vice President-operations: | William A. Morrow |
| Vice President-production: | Robert C. Adams |
| Circulation director: | Peter J. Johnson |


Published weekly at 740 Rush St., Chicago, Ill. 60611-2590. Fax 312-280-3174. E-Mail 76735.3045@CompuServe.com, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017-5806, Fax 212-210-0704, CRAIN COM NYK; Suite 114, 8950 N. Central Expressway, Dallas, Texas 75231; Fax 214-696-1936; Suite 814, National Press Building, Washington, D.C. 20045-1801, Fax 202-638-3155; 6500 Wilshire Blvd., Suite 2300 Los Angeles, Calif. 90048-4947, Fax 213-655-8157; 967 Bermuda Court, Sunnyvale, Calif. 94086-6750, Fax 408-774-1155; New Garden House, 78 Halton Garden, London EC1N 8JQ England, Fax 171-457-1440. \$4 a copy and \$85 a year in U.S. \$105 in Canada and Mexico (includes GST). All other countries \$205 a year (includes expedited air delivery). DAVE KELLEY, circulation manager. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207-3185, or phone 800-678-9595 or 313-446-0450, Fax 313-446-6777. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: JOSEPH P. HANLEY, Crain News Service, 220 E. 42nd St., New York, N.Y. 10017-5806, 212-254-0890. For reprints or reprint permission contact: KAREN BROWN TUCKER, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, 312-649-5319, Fax 312-280-3174.

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




Business Insurance welcomes letters to the editor. The section is intended to be a forum for readers' opinions and comments. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Please send your letters to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; fax: 312-280-3174; e-mail: pwinston@crain.com.

See Letters on page 13



An
amazing
amount of
dental decay
occurs at the
corporate level.



Now you can keep administrative costs from eroding your dental benefit dollars.

DIRECT REIMBURSEMENT

The Dental Benefits Plan *for* Smart Companies

Now there's an effective way to control the high costs of administering a dental program while at the same time providing comprehensive dental care to all your employees. Direct Reimbursement eliminates the overhead of outside insurers by allowing you to reimburse your employees directly for their dental expenses from an interest-earning fund created specifically for your company.

Direct Reimbursement is surprisingly easy to manage. Because it doesn't carry the usual exclusions and coverage

limitations of outside insurers, you eliminate the time, red tape and detailed claim forms associated with traditional carriers. It takes only about one hour per month per 100 employees for an administrator to process DR claims.

What's more, the program gives your employees the freedom to visit the dentists of their choice. And because benefits are determined by the dollars spent, regardless of the type of treatment provided, Direct Reimbursement helps assure that your employees get the services they need. It's truly a benefits program where everyone benefits.

ADA®

American Dental Association
<http://www.ada.org>

For a free DR Kit and a free Direct Reimbursement disk,
call 1-800-232-7698.



THE FOURTH ANNUAL

Business Insurance®

WORKERS COMPENSATION CONFERENCE



CONFERENCE CHAIRMAN

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

CONFERENCE ADVISORY BOARD

Maddy Bowling
Vice President, Workers Comp
Managed Care
Intracorp

James Conerty
Manager of Risk & Loss Management
IBM

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

Dwight E. Davis
Executive Vice President
Customer Services
Wausau Insurance Companies

Thomas Dickson
Senior Vice President
Centre Reinsurance

Mary Stoik Dymond
Director of Risk Management
ACX Technologies Inc.

Anthony J. Galioto
Senior Vice President & COO
AIG Claim Services, Inc.

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

Elizabeth M. Lindner
Executive Vice President
Kemper National Insurance Companies

Peter Madeja
President & CEO
GENEX

David G. May
Managing Director
Marsh & McLennan, Incorporated

Jeffrey W. Pettegrew
Vice President
Risk Management & Insurance
Western Staff Services

Gail Sater
Risk Manager
Red Wing Shoes

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

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

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

CONFERENCE SPONSORS

- AIG Claim Services, Inc.
- Centre Reinsurance
- Commonwealth Risk Services, Inc.
- GENEX Services Inc.
- Intracorp
- Kemper National Insurance Cos.
- Marsh & McLennan, Incorporated
- Wausau Insurance Companies

NOVEMBER 6-8, 1996

*Ritz Carlton Huntington Hotel
Pasadena, California*

WHO SHOULD ATTEND

Risk managers, loss prevention and safety managers, workers compensation administrators and analysts, employee benefit executives, plus insurers, brokers, consultants, representatives from HMOs and PPOs, state and local government representatives, association members, attorneys and providers from a broad range of companies and institutions.

PROGRAM AGENDA

WEDNESDAY, NOVEMBER 6, 1996

- SPECIAL WORKSHOP: RISK FINANCING & THE CAPITAL MARKETS
Presented by Marsh & McLennan, Incorporated and Centre Reinsurance
- EMPLOYER'S PRIVATE ROUNDTABLE
- EARLY REGISTRATION AND WELCOME RECEPTION

THURSDAY, NOVEMBER 7, 1996

- REGISTRATION AND CONTINENTAL BREAKFAST
Hosted by Kemper National Insurance Companies
- OPENING REMARKS FROM THE CHAIR
- CONFRONTING WORKPLACE VIOLENCE AS A WORKERS COMPENSATION ISSUE
- REFRESHMENT BREAK AND TABLETOP EXHIBITS
Hosted by Commonwealth Risk Services, Inc.
- POINT/COUNTERPOINT SESSION: INTEGRATING MANAGED CARE APPROACHES INTO WORKERS COMPENSATION
- ELECTRONIC DATA INTERCHANGE
- LUNCHEON: WHY SOME EMPLOYERS DO SO MUCH BETTER THAN OTHERS AT WORKERS COMPENSATION
Hosted by Intracorp
- CASE STUDIES:
 - ▶ U.S. AIR, INC. CASE STUDY: ALTERNATIVE COLLATERAL RAISES \$70 MILLION
 - ▶ CREATIVE SAFETY INCENTIVE PROGRAMS
 - ▶ RETURN TO WORK
 - ▶ REDUCING & MANAGING REPETITIVE STRESS INJURIES
- RECEPTION

FRIDAY, NOVEMBER 8, 1996

- BREAKFAST
Hosted by GENEX Services, Inc.
- OPENING REMARKS FROM THE CHAIR
- COST CONTAINMENT PERFORMANCE MEASUREMENT
- REFRESHMENT BREAK AND TABLETOP EXHIBITS
Hosted by Wausau Insurance Companies
- HOW TO MAKE PERFORMANCE GUARANTEES WORK WITH RISK MANAGEMENT PARTNERS
- LUNCHEON
Hosted by AIG Claim Services

CONFERENCE FACULTY

Paul S.D. Berg, Ph.D.
Clinical and Forensic Psychologist

Edward McC. Bowers
President
Marsh & McLennan Financial Markets Inc.

Maddy Bowling
Vice President
Workers Comp Managed Care Intracorp

James Conerty
Manager of Risk & Loss Management
IBM

Andrew R. Daniels
Senior Vice President
Marsh & McLennan, Incorporated

Dwight E. Davis
Executive Vice President
Customer Services
Wausau Insurance Companies

Dr. Stephen Dawkins
Occupational Health Physician
Occupational Health International

Thomas Dickson
Senior Vice President
Centre Reinsurance

Jenny Parker Emery
Principal and Consultant
Tillinghast-Towers Perrin

George Gomez
Executive Director
LALABC

Mark S. Hammond
President
Risk Data Corporation

James Harrington
Director of Insurance & Pensions
U.S. Air, Inc.

Michael G. Hickey
Manager, Claims Administration
Coca-Cola Enterprises Inc.

Gary Knoble
Assistant Vice President
ITT Hartford Insurance Group

John C. Lewin, M.D.
Executive Vice President/
Chief Executive Officer
California Medical Association

Reta Lewis
Senior Manager
Workers Compensation and Safety
Pier 1 Imports, Inc.

Elizabeth M. Lindner
Executive Vice President
Kemper National Insurance Companies

Kate McGuigan
Director of Risk Management
Sizzler International Inc.

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

Christopher E. Mandel, CPCU
Director, Risk Management
KFC Corporation
Division of Pepsico

David G. May
Managing Director
Marsh & McLennan, Incorporated

Dennis W. Mattinson
Corporate Environmental Health
& Safety Manager
Sun Microsystems, Inc.

David Michaels, Ph.D.
Professor, Epidemiology
City University of New York
Medical School
and Executive Director
The Compensation & Prevention
Research Institute

Robert Morency
Ergonomic Specialist
L.L. Bean Inc.

Jacqueline Nowell
Assistant Director
Office of Occupational Safety
and Health
United Food and Commercial Workers
International Union, AFL-CIO

Jeffrey W. Pettegrew
Vice President,
Risk Management & Insurance
Western Staff Services

Jeffrey F. Pierce
Vice President,
Information Systems & Services
GENEX Services, Inc.

Thomas R. Reardon, M.D.
Vice Chairman
AMA Board of Trustees

Eleanor Ross
President
Eleanor M. Ross Associates, Inc.

Joan Spiegel, CPCU
Vice President, Risk Management
Safeway Inc.

Robert B. Stegert
Vice President, Casualty Claims
Marriott International, Inc.

Robert L. Sypult
Director of Security
Southern California Edison Company

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

Edward M. Welch
Associate Professor,
School of Labor & Industrial Relations
Michigan State University

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

COMMENTS FROM SOME OF LAST YEAR'S ATTENDEES:

"I learned a lot of things at this conference; valuable information that can be implemented."

Jackie Nowell
Assistant Director,
Office of Occupational Safety & Health
United Food & Commercial Workers
Intn'l Union, AFL-CIO

"Your efforts paid off with one of the best Workers Compensation conferences yet."

Jeffrey W. Pettegrew
Vice President, Insurance & Risk
Management
Western Staff Services

"I appreciate being invited to participate in the conference - I felt it was an excellent program."

Mick McGavin
Manager, Safety Planning & Claims
Johnson Controls, Inc.

"Without question the best conference. The topics presented gave me ideas I will be able to apply. I would rate this conference as 'excellent.'"

Augustine (Gus) Vigil
Claims Manager
New Mexico Self-Insurers' Fund

"The 'Meet The Press' panel formats create a dynamic and informative conference which encourages participation of the attendees!"

Mary Stoik Dymond
Director of Risk Management
ACX Technologies, Inc.

"It was a real pleasure to be part of this conference."

Brian V. Record
Director of Claims Management
Harrah's Entertainment, Inc.

ACCREDITATION

IBF • International Business Forum has applied with the California Insurance Board as a course provider for 11 CEU credits.

REGISTRATION

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

FAX: (212) 279-9307

TEL: (212) 279-2525

THE FOURTH ANNUAL

Business Insurance.

WORKERS COMPENSATION CONFERENCE

YES, PLEASE REGISTER ME.

I am a service provider - \$895

I am a risk, benefits or safety manager - \$595



Name _____

Title _____

Company _____

Address _____

City/State/Zip _____

Telephone No. (_____) _____

Fax No. (_____) _____

Please forward information about table-top exhibits.

Please forward information about sponsorship opportunities.

CFOs team up with risk managers

Management learning that risk management can't be pigeonholed

By **RODD ZOLKOS**

CHICAGO—Corporate finance officers need to recognize that either directly or indirectly, risk management affects their organizations' bottom lines and consequently must be integrated with the financial function.

But accomplishing that often means overcoming a tradition in which companies' key financial staffers have been "siloed" into narrow aspects of financial operations, according to speakers at the annual risk management forum for finance officers sponsored by Liberty Mutual Group and CFO Publishing.

"None of us now can say we're in a mature stage in terms of integration," said James D. Blinn, a partner in the New York office of Ernst & Young L.L.P. and a speaker on a panel examining integrating risk management with the financial function at the June forum in Chicago. "We're in the infancy of it and possibly as far as we'll ever go."

But, Mr. Blinn said, some companies are looking at how they can assess their financial exposures in the same way they do their property and casualty exposures, and how they can control or finance them.

A problem is that in trying to evaluate those financial exposures there's no assessment system that spans the entire range of treasury risks. But Mr. Blinn said he believes there is an interest in developing such a system "even if it's a very superficial approach, some set of matrices for dealing with that to assess across the spectrum of financial risks."

Mr. Blinn said he often deals with large clients that have "siloed" financial responsibilities. For example, an individual in the financial area might deal strictly with cash

management, with no involvement in other areas of the company's financial dealings.

But, with "the feeling that maybe we're exposing ourselves to some pretty large risks here," there is a growing recognition of the possibility of interdependency between the financial and risk management officials in many organizations, but there's no mechanism for establishing that relationship.

"Right now when we deal with our clients we're dealing first with the simple issue of people," he said. Having been brought up in these silos, many financial officials tend to miss the big risk management picture.

He said he frequently sees panic responses in many companies' financial departments after well-documented losses elsewhere.

Widely reported losses in derivatives investments, for example, prompted companies to say, "Oh my God, what are we going to do to control our derivatives?" Likewise, trading losses like those at Barings P.L.C. prompted them to look at how to manage trading risks (*BI*, March 6, 1995).

The biggest factor, then, that motivates many to consider risk management integration, he said, is fear of the kind of large loss and the stories in the papers that come with it.

Twenty years ago, when companies searching for a risk manager were more dependent on insurance, "there was a need to bring in somebody who could handle the insurance stuff, handle the jargon, a good 'techie,'" said Jim Gunther, principal with the Harvard Aimes Group, a West Haven, Conn., executive search firm specializing in corporate risk management recruiting.

Today, "there's a realization that 'it's our money that's being spent,'"

he said, prompting companies to seek more financially oriented individuals.

But there's a danger with hiring a risk manager who's exclusively financial, Mr. Gunther said, "because there's a lot of blocking and tackling that has to be done."

In addition to looking at financial exposures, the risk manager still must be able to deal with such issues as insurance policy details, claims administration, safety and loss control.

Overall, Mr. Gunther said, he sees companies that are looking to integrate risk management with their financial functions seeking people "capable of being a mainstream manager in the organization."

While his company does not have a risk manager, E.J. Harris, CFO at Tonto Drilling Services in Salt Lake City, said the person he'd seek to fill such a post would have to be able to address the entire insurance program, but also be able to communicate with everyone else in the organization. It doesn't do much good to bring in a top manager who can't interrelate with other facets of the organization, he said.

Mr. Gunther agreed with that outlook. While business skills and technical competence are critical, "communications skills are absolutely the most important issue with a risk manager," he said.

"A risk manager really manages by walking around," Mr. Gunther said. "But if he doesn't speak the language of the organization he won't be welcome anywhere."

As a first step toward integrating risk management with finance, Ernst & Young's Mr. Blinn recommended companies form risk assessment groups to examine such issues as credit risk, currency risk and property exposures.

Such an informal working group should meet regularly, with its dialogue providing the basis for the ultimate integration of the risk management and financial functions in the organization.

At Tonto Drilling Services, Mr. Harris said he holds weekly manager meetings "for the purpose of discussing what kind of risks we have."

He also puts some responsibility for identifying risks on the company's operating managers. While the operations people always are eager to enter new markets, "with each

new market you enter there are risks you face," he noted.

Gary R. Gregg, executive vp and manager of Liberty Mutual's business market unit in Boston, who moderated the risk management integration panel, offered an additional opinion on the growing role risk management will play in companies' financial operations.

"My view is it will be rare in the future that someone will not have some kind of risk management experience to be a CFO," Mr. Gregg said. "That has emerged as such a major part of their job." **BI**

De-merge

Continued from page 3

ant AT&T, is that for the business to be successful it has to focus on its core operations.

Mr. Gruhl noted that de-mergers can occur as:

- Spinoffs, in which current shareholders receive shares of the new company.

- Splitoffs, in which the larger company splits into several units, with shareholders determining the units in which they want to participate.

- Divestitures, in which the business sells off units.

Each situation calls upon the chief financial officer of the original company and the de-merged operation to examine risks that could affect both the company's financial health and its work force, he said.

"There can be a tremendous impact on the capital needs of the emerging companies," Mr. Gruhl said. What's more, "the human resource side of it cannot be overestimated in going through a de-merger."

Although the exposures faced by the conglomerate are unlikely to change for the de-merged entities, some risks are worth noting, said Michael R. Levin, senior manager at Deloitte & Touche L.L.P. in Chicago, who also spoke at the conference.

Those exposures include property/casualty exposures; financial risks, such as interest rate volatility, commodity prices or currency risk; and work force risks, such as workers compensation claims, employee benefit costs, pension costs and employee compensation, he said.

"There are actually going to be very few changes to exposures in a given entity after a de-merger," Mr. Levin said.

On the property/casualty front, for example, "clearly there's going to be some kind of split-up," Mr. Levin said.

"Different new entities that are created are going to split up some of the property," he said.

But that shouldn't change the frequency and severity of loss on a permanent basis on either the property or liability side, he said.

"The same could be said for financial exposures," Mr. Levin said.

"Those are going to vary with the market. They're not really going to change as the structure of the company changes," he said.

There also are likely to be no major changes to work force exposures. "On a per unit basis, the costs arising from those exposures are not going to rise dramatically," he said.

But, while the exposures might not actually change, a splitoff may concentrate some of the existing exposures in a new entity.

At Basking Ridge, N.J.-based AT&T, for example, the recent spinoff of telecommunications equipment provider Lucent Tech-

nologies Inc. concentrated foreign exchange exposures in the new entity, which does considerable international business, Mr. Levin said.

Meanwhile, the long-distance telephone carrier business remaining with the original company is primarily domestic.

A splitoff also can produce residual exposures, such as product liability, which might pass from the conglomerate to the new entity after the breakup.

In addition, changes in the ability to bear risk can be substantial, Mr. Levin said.

"The main thesis is de-merged companies post-splitoff have less ability to deal with risk than they did before," Mr. Levin said. Typically the spinoff companies are smaller, and they're less able to pool risk than was the larger conglomerate.

"Larger companies can afford to pool risk better than the smaller companies," Mr. Levin said. "Any large workers compensation program can withstand variability in claims exposures better than a smaller one can."

The spinoff companies' ability to retain risk can be further constrained by the fact that they—and their new management—typically are under greater scrutiny from shareholders and stock analysts.

The practical implications are that "you're essentially going to be able to retain less risk," Mr. Levin said. "There's also the need presumably to review limits of insurance for property/casualty insurance and presumably employee benefit programs, particularly if the exposure has become more concentrated."

"Clearly there's a need to stay on top of total costs," Mr. Levin said. "Monitoring these total costs is a key determinant of your success."

As the move toward de-mergers continues, "the trend seems to be... that we're not just taking one company and splitting it into three parts with different business; we're starting three new companies," Mr. Levin said. "A lot of these companies now view themselves as being freed from some sort of tyranny of the central office, so they're creating all sorts of new ways of dealing with exposures."

Among those is a trend to "cleaning up" the finances and risk exposures of these newly created companies, Mr. Levin said, with many looking to such products as financial reinsurance or finite risk programs to address an entire group of risks in a single insurance contract.

The de-merger trend may represent a fundamental shift from the way businesses historically have been built, said Mr. Levin.

"Companies are becoming too large to be managed effectively," Mr. Levin said. "Some of the mergers just didn't make strategic sense, even if they made financial sense for a time." **BI**

Carvill

Reinsurance Intermediary

INDEPENDENCE
INTEGRITY
SERVICE

CONSISTENT PHILOSOPHY & PERFORMANCE

SINCE 1977

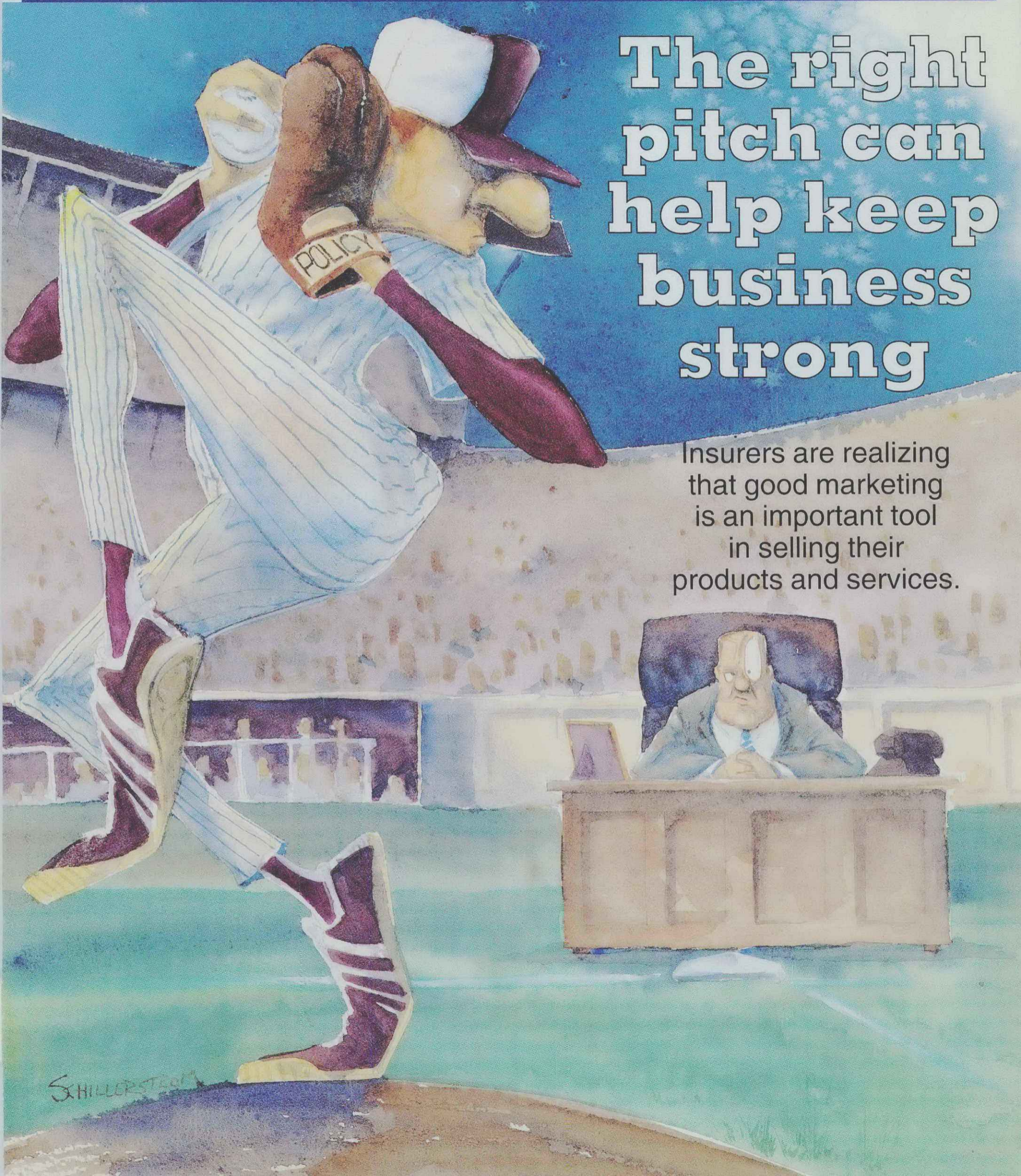
Atlanta Bermuda Chicago London Stamford

Insurer Topics

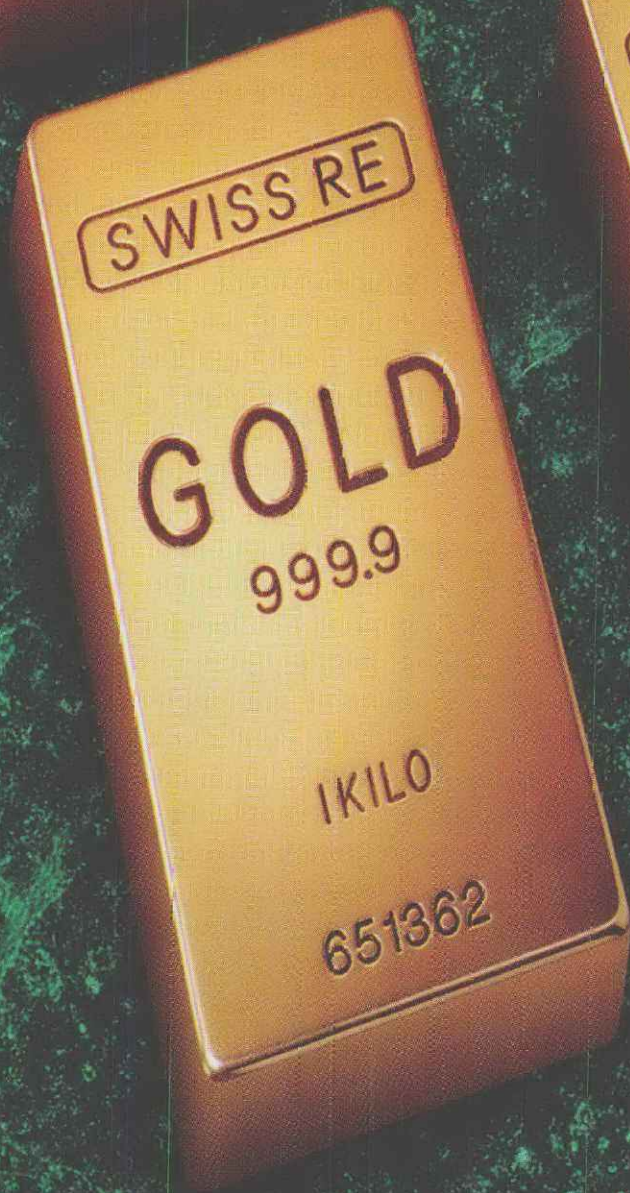
A special editorial section
sent exclusively
to insurers and reinsurers

The right pitch can help keep business strong

Insurers are realizing
that good marketing
is an important tool
in selling their
products and services.



SCHILLERSTON



Swiss Re. The Gold Standard In Reinsurance.

Swiss Re has been known as a leader in reinsurance for the 133 years our company has been in business.

Over all that time, we've built a global base of experience that allows us to examine your reinsurance problems from many possible perspectives.

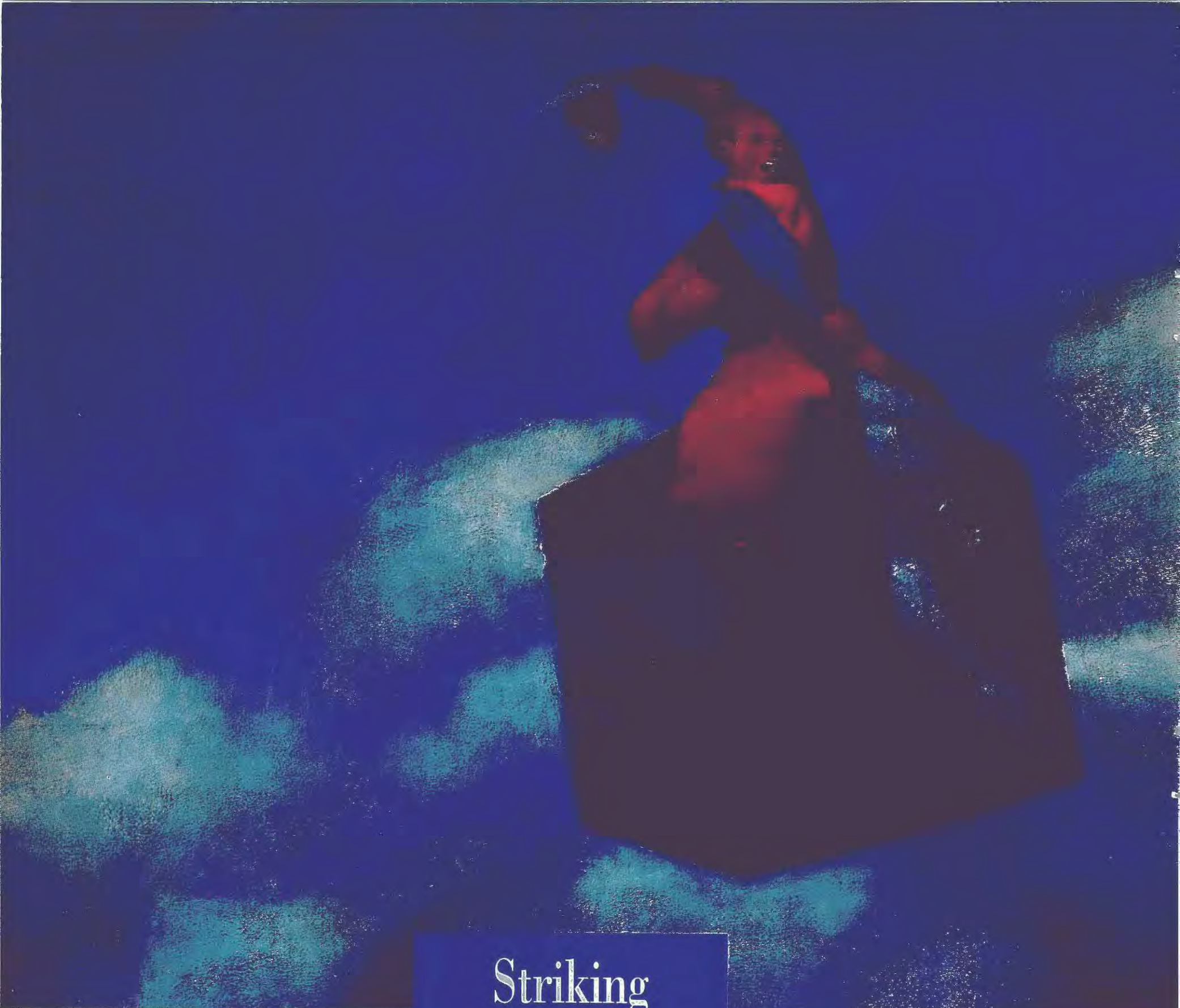
Because Swiss Re has the most broadly diversified book of business, no other reinsurer is better at helping to assess risk and optimize capacity.

That's why Swiss Re, with over \$38.5 billion in invested assets and more than 60 offices worldwide, is the reinsurer that companies know they can rely on.

Swiss Re. The gold standard in reinsurance.

Swiss Re America





At Zurich Investment Management, we understand the balance insurance companies must strike with investment portfolios—meeting policyholder liability obligations and regulatory constraints, while attaining their profitability and financial goals.

Our Insurance Advisory Group combines portfolio managers, actuaries and investment accountants to provide investment management and advisory services exclusively for you.

This team develops conservative strategies and constraints appropriate for the unique circumstances of insurance companies, then aggressively manages portfolios within those parameters.

Zurich Investment Management is a globally-connected company created

Striking
the
Balance
Between
Conservative
and
Aggressive

from the Zurich Insurance Group and its affiliate that manages the Kemper Funds. So our clients benefit from our specialized insurance industry focus, and the remarkable breadth of products that comes from our size, experience and global reach. We bring more than 30 years experience and more than \$34 billion in assets under management.

To strike up a conversation with the Insurance Advisory Group, call 1-800-676-5664.



ZURICH INVESTMENT MANAGEMENT

Benefits of marketing slowly winning over insurer execs

By ROBERTO CENICEROS

While still not an easy sell, today's insurance executives are warming up to the benefits of using advertising and public relations campaigns to pitch new products and enhance name awareness.

Take, for example, William H. Sharkey Jr., senior vp of marketing for CNA Insurance Cos. As a young actuary he was quick to scoff at such matters, he told the Insurance Marketing Communications Assn., which held its annual meeting June 23-26 in San Francisco. If insurance buyers didn't quickly warm up to a new product, Mr. Sharkey was likely to shrug it off as a deficiency in their judgment.

Now he oversees a multimillion-dollar budget aimed at helping CNA establish name awareness and win a consistent market position. The company has hired a former Quaker Oats hot-cereal product manager who also directed the roll out of Sprint's nationwide cellular telephone campaign.

"Marketing in a classic sense has come late to the insurance industry," Mr. Sharkey told conference attendees. "Some of the thinking that has been developed in the marketing profession—largely outside of our industry—is in fact very adaptable to our industry. There is no question about it. And I think our industry's senior management is recognizing that change. The current generation of CEOs is focusing their business strategies on the customers' needs instead of just on distributors' needs or on what we think everybody ought to buy."

Mr. Sharkey spoke as part of a panel that discussed "How to connect with Senior Management to Sell Communications Programs."

He was joined by Fred E. Dabney II, vp-corporate communications for Royal Insurance in Charlotte, N.C.; Reginald F. Pierce III, vp-marketing for Commonwealth Risk Services Inc. in Philadelphia; Bob Soveran, vp-marketing for the Co-operators Insurance and Financial Services in Guelph, Ontario; Margaret M. Studer, vp and director, corporate communications for Zur-

ich-American Insurance Group in Schaumburg, Ill.; and Ann B. Welch, vp-commercial insurance for Fireman's Fund Insurance Co. in Novato, Calif.

The session was moderated by Kathryn J. McIntyre, publisher and editorial director of *Business Insurance*.

ADvertising & PROMO

Other panel members agreed with Mr. Sharkey's assessment that things are looking up for advertising.

"Traditionally, top management has seriously undervalued the impact of communications, external and internal," Ms. Welch said. But forces shaping the insurance industry, such as mergers and acquisitions and technology adaptation, are forcing insurers to reach out to customers.

She cited a 1988 study that revealed insurance chief executive officers tended to place customer satisfaction near the bottom of a priorities list.

Not that customer satisfaction is a top priority today, she added.

But it has moved up, showing that industry leaders place a greater value on wooing customers.

After the conference, Ms. Welch said insurance company executives also need to learn about advertising's internal value.

It is a big morale booster for employees to see their company's brand name prominently displayed in advertisements.

However, it's still not all smooth sailing for insurance marketing professionals, panelists said.

Obtaining funding and support from higher up remains a challenge.

Many insurance industry executives, including senior marketing bosses, work their way up from underwriting, Ms. Studer said.

"I think that has a lot to do

with the fact that it's a much harder sell for us to get them to understand the importance of communications, particularly marketing communications," she said.

So what can the marketing department do to appeal to senior managers?

Understand the company's finances, including profitability and premium growth, panelists said.

"Anytime you can do your homework and be prepared to show, especially the CFO or CEO, the financial return of a plan you are putting forth you are three steps ahead," Mr. Pierce advised.

Listen and modify your behavior accordingly, Mr. Dabney added.

"I don't think we really truly listen closely enough to be able to understand what they are trying to get across to us and then respond to that in a positive way with what we can bring to the table to really move ahead with what they are trying to accomplish," he said.

Discuss your department budget with management early in

See **Marketing** on page 12H



GET THE BROADER VIEW...

X.L. Insurance wins top IMCA award for video promoting risk management

Insurance industry groups' advertising, promotion efforts recognized by Insurance Marketing Communications Assn.

By **ROBERTO CENICEROS**

The highest honor at the Insurance Marketing Communications Assn. Showcase Awards went to X.L. Insurance Co. Ltd. at IMCA's recent annual meeting.

X.L. won the SAMMY, or Special Award from Members, for "Risk Manager's Blues," a sleek video epitomizing the glamour and high-stakes role of a risk manager. The video is set to lyrics adapted to the Glenn Frey song "Smuggler's Blues."

The SAMMY is given annually to Showcase entries for outstanding contributions to the advancement of insurance advertising and communications. In all, 98 awards were given in 24 categories. They are:

- Marketing and Sales Promotion Directed toward Personal Lines Producers: Best of Show to SAFECO; Award of Excellence to Liberty Mutual Group.

- Marketing and Sales Promotion Directed to Personal Lines Consumers: Best of Show to CIBC General Insurance Co. Ltd.; Awards of Excellence to Country

Cos., Foremost Insurance Group, General Accident Insurance and Hanover Insurance Co.

- Marketing and Sales Promotion Directed to Commercial Lines Producers: Best of Show to Wausau Insurance Cos.; Awards of Excellence to Hanover Insurance Co., Royal Insurance Group, St. Paul Fire & Marine Insurance Co. and Utica National Insurance Group.

- Marketing and Sales Promotion for Commercial Lines Directed to Business Consumers: Best of Show to X.L. Insurance Co. Ltd.; Awards of Excellence to CalFarm Insurance Co., Chubb Group, Royal Insurance, St. Paul Fire & Marine Insurance Co., Texas Medical Liability Trust, ZC ReSource and Zurich-American Insurance Group.

- Print Product Advertising for Personal Lines Directed to Consumers: Best of Show to Nationwide Group.

- Print Product Advertising for Commercial Lines Directed to Business Consumers: Best of Show to St. Paul Fire & Marine Insurance Co.; Awards of Excellence to General Accident Insurance, Northland Cos., RLI Corp. and St. Paul Fire & Marine Insurance Co.

- Print Product Advertising for Personal Lines Directed to Producers: Best of Show to Fireman's Fund Insurance Co.; Awards of Excellence to General Accident Insurance, Markel Corp. and Reliance National Insurance Co.

- Print Corporate Image Advertising Directed to Producers and Consumers: Best of Show to Chubb Group; Awards of Excellence to General Accident Insurance, General Reinsurance Corp., RLI Corp., SAFECO, Seguros Comercial America S.A., Wausau Insurance Cos., Workers Compensation Fund of Utah, ZC ReSource and Zurich-American Insurance Group.

- Radio Advertising: Best of Show to Country Cos.; Award of Excellence to Workers Compensation Fund of Utah.

- Television Advertising: Best of Show to Workers Compensation Fund of Utah; Awards of Excellence to Nationwide Insurance, State Farm Insurance Cos. and Zurich-American Insurance Group.

- Other Audio Visual Communications: Best of Show to X.L. Insurance Co. Ltd.; Awards of Excel-

lence to American Re-Insurance Co., The Co-operators, ITT Hartford Insurance Group and X.L. Insurance Co. Ltd.

- Campaigns and Total Communications Programs to Producers and Consumers: Best of Show to Wausau Insurance Cos.; Awards of Excellence to Chubb Group,

to St. Paul Fire & Marine Insurance Co.; Awards of Excellence to Arkwright Mutual Insurance Co., Harleysville Group Inc., Markel Corp., Seguros Comercial America S.A., The Doctors' Co., Utica National Insurance Group and ZC ReSource.

- Convention Support Materials: Best of Show to ZC ReSource; Awards of Excellence to Guy Carpenter & Co. and X.L. Insurance Co. Ltd.

- Producer Publications: Best of Show to SAFECO; Awards of Excellence to General Accident Insurance and Harleysville Group Inc.

- Communications \$1,000 or Under: Best of Show to RLI Corp.; Awards of Excellence to Princeton Insurance Co. and Utica National Insurance Group.

- Potpourri: Best of Show to Liberty Mutual Group; Awards of Excellence to St. Paul Fire & Marine Insurance Co. and ZC ReSource.

- Marketing on the Internet: Best of Show to Fireman's Fund Insurance; Awards of Excellence to RLI Corp., SAFECO and Seguros Comercial America S.A.

- Associate Member Media Kits Directed to Advertisers: Best of Show to 3M Media Networks Inc.; Award of Excellence to International Investor.

- Associate Members Direct Mail Packages Directed to Advertisers: Best of Show to *Business Insurance*.

- Associate Members Print Advertising Directed to Advertisers: Best of Show to *Business Insurance*. **BI**



CIBC General Insurance Co. Ltd., ITT Hartford Insurance Group and X.L. Insurance Co. Ltd.

- Public Relations: Best of Show to Metropolitan Property & Casualty; Awards of Excellence to Swiss Reinsurance Co. Canada and X.L. Insurance Co. Ltd.

- Company News and House Organs: Best of Show to Chubb Group; Awards of Excellence to CalFarm Insurance Co., Economical Insurance Group, Harleysville Group Inc., RLI Corp., St. Paul Fire & Marine Insurance Co. and ZC ReSource.

- Other Employee Communications: Best of Show to Westfield Cos.; Awards of Excellence to Reliance National Insurance Co., Westfield Cos. and ZC ReSource.

- Annual Reports: Best of Show

Insurers, agents differ on approach to Internet

Industry still debating best way to net customers via Web sites

By **ROBERTO CENICEROS**

As insurers and other industry-related organizations explore applications for the Internet, their approaches and goals remain a mixed bag, revealed a panel addressing the Insurance Marketing Communications Assn.'s annual meeting.

Just how to entice customers and distributors to cut through the Internet's clutter and search out their particular Web site is one area generating different ideas. But panelists don't foresee direct marketing through the Internet radically altering the current insurance distribution system by eliminating agents.

"Part of the problem right now is that people are experimenting with the Internet," said Peter Van Aartrijk Jr., vp of communications for the Independent Insurance Agents of America in Alexandria, Va. "Everybody says, 'Well you have to be there.'"

Companies do have to be there to make sure their home page compares with the competition's, Mr. Van Aartrijk said.

However, Mr. Van Aartrijk said he is not certain that the Internet

relationships with them.

"Right now it's primarily (for) our own customers and our agents," Mr. Denney said. "We haven't really developed a strategy for trying to mass market through the Internet yet, and I'm not even certain that that is one of our goals."

Yet Fireman's Fund currently is examining several options, such as Internet shopping malls, for reaching potential customers, he said.

But malls are not an attractive channel for Universal Underwriters Insurance Co.'s Recreational Products Insurance Division, said Glenna Menard, marketing communications specialist in Overland Park, Kan. Her goal is to attract traffic to the company's Web site.

"Our strategy is to stay away from malls" she said. "Our idea was to create community for our customers so our Web site is a public relations project for our company. We provided something of value for our customers and potential customers; from bulletin boards to chat rooms and we will be adding more things as we go. But the idea is to be a fun place."



will be absolutely vital for sales in the short run because it remains too cumbersome. Long term, it will become more conducive when it is as easy to use as changing channels on a television, he said.

But the IIAA and insurers are forging ahead, using the Internet to get their names and messages out. For example, the IIAA uses the Internet to attract agents to its membership list and to send out action alerts when pending legislation stands to affect agents.

Novato, Calif.-based Fireman's Fund launched a Web site in April, said Richard Denney, director of creative services. Although the insurer spread word of the site through mailings, the Internet eventually could be come the primary method of communicating with distributors and cementing

The more traffic, the more potential customers learn about the insurer and its products.

However, Ms. Menard urged caution in the rush to generate traffic. Too much, too rapidly can create a traffic jam of sorts because some customers seek answers to technical and legal questions. Those can take time to research, tying up staff and causing response delays if the company is not ready for it. The result could be poor service.

Universal chooses to stay away from malls because the company does not want to be lumped alongside competitors, Ms. Menard said.

But a demand for comparison shopping virtually guarantees companies will have to line up side by side on the Internet, said Carolyn Grossman, director of marketing communications for San Mateo, Calif.-based Strategic Concepts Corp., the publisher of InsWeb.

"That is the way people are going to have to go because that is what consumers want," Ms. Grossman said.

"We do a lot of focus group research and the one thing that people said they wanted more than anything else out of an industry marketplace for insurance is to be able to comparison shop," she said.

After the panel discussion, Ms. Grossman said that such thinking applies to personal lines insurance rather than commercial lines where mass customization is more difficult.

Yet even in the personal lines arena, the panelists do not see direct marketing eliminating the need for agents.

"By and large, people want to deal with people," Mr. Van Aartrijk said.

"They want to buy from people. So I feel really good about the independent agent of tomorrow working on the Internet. It has global applications, but it also has applications for your customer right down the street," Mr. Van Aartrijk said.

Ms. Grossman added that selling direct through the Internet offers efficiency and great reductions in marketing and distribution costs.

But insurers are not about to abandon their agent distribution channels, she added.

"No, they are not because their infrastructures are such that they are heavily invested in the current distribution channel, which, as my boss likes to say, is 300 years old," she explained.

"They are not just going to jump to direct because they can do it now. So the agents have never had a better opportunity to establish a competitive advantage on a worldwide basis," Ms. Grossman said. **BI**

Sponsoring TV show on antiques brings marketing value to Chubb

Insurer's support of PBS results in a good find: name awareness

By CRISTAL CODY

Wondering if Grandma's brooch is really worth three times what she paid for it? Or what about that chair a friend swears is a Louis XIV?

A program sponsored by Warren, N.J.-based Chubb Group of Insurance Cos. will give antique hounds a chance to find out just how valuable their heirlooms and collectibles really are.

"Chubb's Antiques Roadshow," which hit the road in June, is scheduled to stop in 13 cities across the country. Thousands of people are expected to attend the Roadshow this summer and fall, and Chubb will have an even bigger audience when the best finds are shown on the Public Broadcasting Service as a prime-time television series in 1997.

For Chubb, one of the nation's largest commercial property/casualty companies, which also insures

ADvertising & PROMOTIONS

fine arts and collectibles, the Roadshow is a good opportunity to increase its name awareness, a marketing expert said.

However, a Chubb spokeswoman said the insurer has supported PBS for years and is not sponsoring the Roadshow to gain new customers.

"We're not selling insurance on the show or talking about insurance on the show," she said. "The real intent here is to support PBS."

But, Chubb will reap some advertising benefits by supporting events like the Roadshow, said Kimberly Paterson, president of Creative Insurance Marketing Co. in Red Bank, N.J., which specializes

in developing advertising and marketing campaigns for insurers, agents and brokers.

"Chubb is going to get tremendous name awareness among their target audience," she said. "It really reinforces Chubb's position as experts at insuring antiques, fine arts and collectibles."

Ms. Paterson said the program is informative and shows Chubb understands the needs of its customers. "It provides valuable information to consumers, and anytime a company can do that, they are enhancing their image with the public."

During the Roadshow, experts from auction houses Sotheby's, Christie's, Butterfield & Butterfield, William Doyle Galleries and Skinner, will be on hand to appraise items for free to the public.

Interested collectors are invited to bring one or two items, ranging from furniture to memorabilia to the event.

The idea for the "Antiques Road-

show" TV program sprang from a popular British Broadcasting Corp. series that aired in the United Kingdom for more than 17 years, said a spokeswoman for WGBH in Boston, which is producing the PBS program. WGBH produces almost one-third of all prime-time programs seen nationally on PBS.

"Our vp for national programming, Peter McGhee, saw the program when he was over in England and was curious about developing an American version, and that's what we have succeeded in accomplishing with Chubb's help," she said.

"Chubb's Antiques Roadshow" will be hosted by New York-based antiques expert Chris Jussel and will air in 13 one-hour segments, the WGBH spokeswoman said.

Mr. Jussel will highlight discoveries and give hints on how to tell if an item is valuable or just junk.

For example, during the Roadshow stop in Philadelphia last month, one woman was stunned to learn that a dusty helmet she found in the attic was actually a 16th century Milanese cabasset hammered from a single sheet of steel and accented with gold. Butterfield & Butterfield's appraisal? A quarter of a million dollars.



Christie's appraiser John Hays, left, examines a chair during an Antiques Roadshow stop in Concord, Mass.

The Roadshow will also stop at the following locations: July 20 at Denver's Shrine Auditorium; the Albuquerque Convention Center in Albuquerque, N.M., July 27; the Southfield Civic Center in Detroit, Aug. 3; the Henry B. Gonzalez Convention Center in San Antonio, Aug. 17; the Omni Durham Hotel and Civic Center in Durham, N.C., Aug. 24; the Hyatt Regency in Minneapolis, Sept. 7; the Kansas City Convention Center in Kansas City, Mo., Sept. 14; the Greenwich Civic Center in Greenwich, Conn., Sept. 28; and the Odeum Sports and Expo Center in Chicago, Oct. 5. **EB**

GET THE BROKER PERSPECTIVE.



No matter how many options a direct reinsurer may offer, they still come from the same point of view. Their own. The broker's vision isn't limited to a single company's perspective. Brokers work with a wide range of reinsurers. They see more, have access to more alternatives and are in touch with the most innovative thinking in the business. So you benefit from a wider range of creative solutions, more flexibility and something even more important - someone who's on your side and free to use the right resources to meet your needs. Don't limit your perspective. Make sure you're seeing the best reinsurance solutions. Talk to a reinsurance broker.

BETTER REINSURANCE THROUGH BETTER VISION.



Brokers & Reinsurance
Markets Association

BRMA IS AN ASSOCIATION COMPRISED OF LEADING REINSURANCE INTERMEDIARY AND UNDERWRITING FIRMS REPRESENTING A CHANNEL OF MORE THAN \$8 BILLION IN REINSURANCE SURPLUS. FOR MORE INFORMATION, CALL 1-212-480-6200.

Visually interesting World Wide Web sites help insurers sell themselves, marketer says

The Internet was a popular theme at the annual meeting of the Insurance Marketing Communications Assn., which attracted about 250 people June 23-26 to the Hotel Nikko in San Francisco.

Someone browsing through the Internet typically takes about two seconds to decide if he or she will click into your Web site, said Jim Sterne, author of

"World Wide Web Marketing" and co-founder of Target Marketing of Santa Barbara, a California company specializing in Internet marketing strategies.

"So it's just good marketing practice to have (a Web site) that is more interesting than the next guy," Mr. Sterne told the conference audience.

"Because I have an infinite number of Web sites to look at. I mean, we thought, 'Oh boy, 500 channels on cable TV.'" he said.

"That's nothing. Every man, woman and child can have seven (Web sites). It's not expensive to have a really bad web site."

Among the Web supporter's other advice:

- When planning a Web site make sure someone will be responsible for quickly answering all electronic mail generated by visitors to the site.

"If you can't answer an e-mail in 24 hours, 48 hours at the out-

side, don't bother," he said. "People expect a 24-hour turnaround return on e-mail, even if it's only to say: 'I don't know. I will look into it.'"

- Don't blanket the Internet landscape with unsolicited advertising messages. Members of topic-specific groups that focus exclusively on subjects not related to your product or service will get angry. Besides boycotting a company's product, they can easily round up other Internet users who will assist in making a Web site crash.

"People can reach out and touch you in ways you don't want them to," Mr. Sterne

warned. "Don't upset them."

Next year's Insurance Marketing Communications Assn. annual meeting will be held June 22-25 at the Boca Raton Resort and Club in Boca Raton, Fla.

For more information, contact William T. Hadley, executive director, at 602-443-8860. **BI**

Marketing

Continued from page 12E

the year, not during the traditional budget crunch, Mr. Sovoran suggested.

"Then management of course is cutting budgets. It's good to talk to them about it in January or February (for the coming year) as opposed to October," he explained.

Think of senior managers as you would of customers and consider their emotional attachment to their business goals, Ms. Studer said.

"If you are sensitive to that in your plans and programs then they are going to appreciate that. I think the other thing is regular communications. Stay in touch with them."

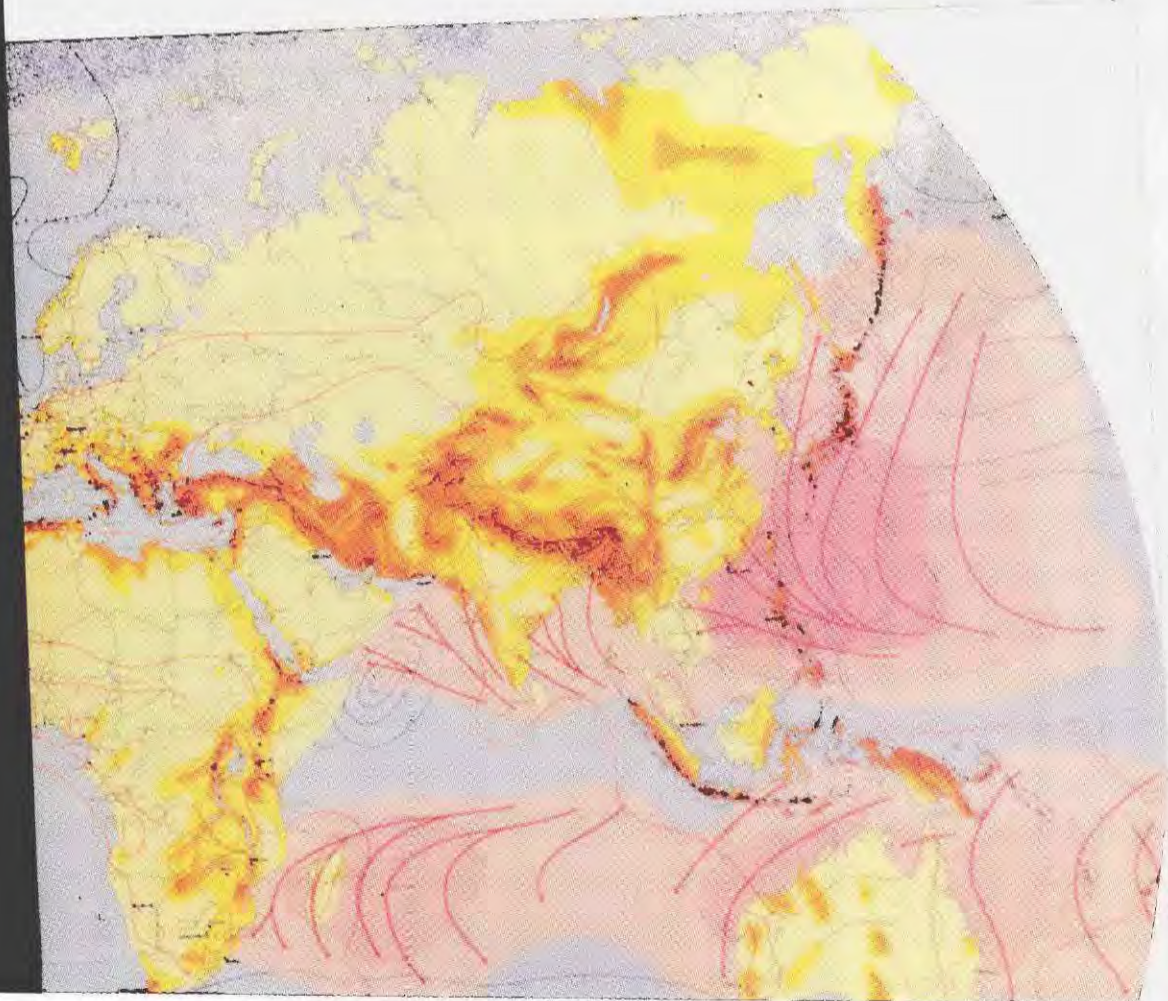
"The most important thing is to look at communications in the broadest context, as part of a business strategy," Mr. Sharkey said.

"If people running the businesses or your CEO understand that it is an integral part of the business strategy toward furthering the business goals, then it is not a matter of selling an advertising program or selling a communications program," Mr. Sharkey said.

"In fact, for some businesses, public relations and media relations or other forms of communications really are better than advertising," he said.

"It varies and has to be adapted to the market you are trying to communicate with. But if management understands the relevance of communications to the business goals then it is not an isolated sell. It's just part of the development of business strategy and that can be the most successful," Mr. Sharkey said. **BI**

World Map of Natural Hazards



This World Map of Natural Hazards was prepared by Munich Re. Like all research prepared by Munich Re, it reflects the experience, professionalism and integrity of the Munich Re organization.

Each Munich Re study is the result of painstaking research by highly experienced professionals. The care and attention given to their preparation is an example of the thoroughness Munich Re brings to every aspect of reinsurance.

Munich Re—unsurpassed service for more than 110 years.



MARC
Munich Re Group

New York • Chicago • Atlanta
San Francisco • Dallas
Columbus • Hartford
Philadelphia

Munich Re Group in the USA: MARC and MARC-Life

Insurer Topics

ADVERTISER INDEX

Issue of July 15

| ADVERTISER | PAGE # |
|---------------------------------|--------|
| BRMA | 12G |
| BRMA | 12E |
| Munich Reinsurance Co. | 12H |
| Swiss Re America | 12B-C |
| Zurich Investment Management .. | 12D |

Opinions differ on need for standards

By **RODD ZOLKOS**

CHICAGO—Risk management standards could help companies better avoid losses while making it easier to identify qualified candidates for risk management jobs, a standardization proponent claims.

But, according to a risk manager who opposes the notion, standards tend to be excessively rigid, rob companies of autonomy and often are irrelevant to the circumstances an individual organization faces.

Robert L. Bernens, chairman of CORE Risk Services in Oldenburg, Ind., and Susan R. Meltzer, director of risk management and insurance for Toronto-based Bell Canada, squared off to debate the issue of risk management standards last month in Chicago at the third annual risk management conference for senior financial executives sponsored by Liberty Mutual Insurance Group and CFO Publishing.

Arguing for standards, Mr. Bern-

ens cited the Dow Corning Corp. experience with its silicone gel breast implant products, saying the company offered perhaps the best example of a potential liability coming to the forefront.

Mr. Bernens noted that in Dow Corning's case a product representing 1% of the company's business ultimately cost it more than \$1 billion in defending product liability actions and brought it to bankruptcy.

Mr. Bernens said he believes adherence to standards would have put Dow Corning's officers and directors in a better position to defend against the claims.

But Ms. Meltzer argued that "standards can be very rigid," adding that she doesn't think the idea of having benchmarks for risk management performance is the issue, but rather the notion of an outside authority setting those standards.

Rigid standards can be difficult to follow and are often irrelevant to an individual organization's circum-

stances, the Bell Canada risk manager said. "In addition, standards by definition tend to dictate results."

While agreeing there is room for guidelines similar to the Generally Accepted Accounting Principles applied to financial reporting, Ms. Meltzer said that formalizing principles into standards robs corporate boards of autonomy by giving an element of control to the standard-setting organization.

She also said she believes benchmarks already exist for measuring risk management performance. "When risk management is done well it's very effective," Ms. Meltzer said. "I don't know how often it's done well, but I do believe there are guidelines to audit against."

Mr. Bernens set out what he sees as several explanations for the reluctance of companies and their risk managers to embrace risk management standards.

One reason is the wide variety of tasks associated with risk manage-

ment in the United States, while another is the diverse skills and education of practicing risk managers.

Yet another factor is company officials' understanding of risk management, Mr. Bernens said. "We have CFOs, CEOs and boards of directors who have limited understanding of the risk management function."

Interest in standards also has been hindered by the fact that in practice risk management goes beyond the risk management department, taking in organizations' safety, environmental and other functions.

But none of those factors offsets the need for standards, Mr. Bernens argued, adding that he believes corporate annual reports should include a risk manager's statement on how the company applies risk management standards.

Standardization and accreditation of risk managers also could make it easier for companies to hire qualified risk managers, Mr. Bernens said. He noted there is no professional organization for risk managers.

"Not one risk management professional is actually a member of the Risk & Insurance Management Society," he said, noting that RIMS membership actually resides with the sponsoring company.

Of the roughly 17,000 individuals in the United States who have received the A.R.M. designation, ap-

proximately 4,200 are practicing risk managers, he said; the others work as consultants, in some sort of insurance industry job or are deceased.

Two new designations are in the works, he noted. The Certified Risk Manager designation will be offered in early 1997 by the Certified Risk Managers International division of the Austin, Texas-based National Alliance for Insurance Education & Research (BI, June 3), and RIMS is considering a new designation.

But arguing against mandatory accreditation, Ms. Meltzer said risks vary from company to company, and it's incumbent on chief financial officers to understand their organizations' risks and hire the appropriate risk management expertise.

She pointed out that risk managers come from many different professional backgrounds, and the individual a company hires should reflect that company's needs.

Without standards, evaluating a risk manager's performance is "a difficult task," Mr. Bernens said.

Both panelists agreed that because the risk manager's supervisors in the organization typically haven't been educated in the details of the job, a company should hire an outside consultant to evaluate the risk manager's performance.

Beyond that, in a general sense, a risk manager should be evaluated as a manager, Mr. Bernens said, graded similarly to any other manager as to whether he or she is "getting the job done." BI

Use audits to 'step back'

Risk manager notes benefits of outside evaluations

CHICAGO—Although his company emphasizes long-term relationships with insurers, the risk manager of Kohl's Department Stores Inc. says a company occasionally must "step back a few paces and look at where you've been."

And a company can only do that with an outside risk management audit, contends Ronald A. Komars, vp of risk management at Menomonee Falls, Wis.-based Kohl's.

Such an audit reviews risk management operations throughout your organization, said Larry W. Paul, senior vp and division manager at Liberty Mutual Insurance Co. in Itasca, Ill., who joined Mr. Komars and others on a panel on risk management audits at the annual risk management forum sponsored by Liberty Mutual Insurance Group Inc. and CFO Publishing.

Among the items examined in a risk management audit are priorities, risk and loss control, financ-

ing risk and the administration of risk management.

The amount of change determines "whether you need a risk management audit and how much value you will get," said Jenny P. Emery, a principal in the Hartford, Conn., office of Tillinghast-Towers Perrin.

But, conceding that change has become a constant in most organizations, Ms. Emery cautioned she's not recommending companies do risk management audits constantly. Instead, those who might benefit are growing companies and those going through organizational changes, she said.

"I'm a believer that you can scope the work to fit the budget," Ms. Emery said. A company might spend only \$10,000 or it could get into an all-encompassing audit costing \$200,000. "Typically it costs more like \$40,000 or \$50,000," she said.

Budget considerations are a good reason to include the compa-

ny's chief financial officer in the process, according to James A. Hatherly, vp-risk services at Liberty Mutual in Boston. "Many of the recommendations could involve budget and you need somebody high up in the organization who can make the funds available," he said.

Risk management audits were one of several topics covering various aspects of risk management discussed during Liberty Mutual's third annual risk management conference June 23-25 in Chicago. Titled "The New Architecture of Risk Management: Lowering the Cost of Insurance Risk," the conference drew about 150 corporate finance officers.

Plans are being made for next year's conference, with a date and location to be announced. For more information contact John F. Ryan, vp-commercial marketing, Liberty Mutual Insurance Co., 617-574-5842.

—By Rodd Zolkos

Letters

Abridging costly runoffs a good strategy

To the editor: I was surprised that the Reinsurance Assn. of America sees such broad applicability of a recent California appellate decision described in the June 24 article, "Mission Liquidation Hits Roadblock."

Certainly liquidators generally would have preferred that the California Appellate Division had found that the Mission insolvency plan was consistent with the state statute.

Sadly, such a happy circumstance would not have been determinative in any jurisdiction other than California.

Absent the euphoria of a successful Mission appellate court decision, non-California liquidators will continue to focus on the provisions of their own state statutes.

The authority provided in the respective state statutes is a matter of law.

To the extent that the law is unclear, people of good will may contend for differing interpretations and ultimately these matters will find resolution locally.

What is clear, however, is that liquidators managing estates with sta-

bilized operations in which loss reserves can reasonably be estimated should abridge runoff operations that consume creditors' assets in the misguided pursuit of certainty.

Reinsurers should participate in the abridgement process, the means by which this goal is achieved.

One successful litigation should not stifle a prudential strategy.

Richard L. White
Deputy Liquidator
Integrity Insurance Co.

—In Liquidation
Paramus, N.J.

Continued from page 8
their insistence on absolute compliance with local safety standards and installation of systems performed only by approved contractors, have caused fire protection systems in Germany to be among the most expensive in the world.

Insurance companies can elect to blame industry for the severe

fire losses in Germany, but until insurers, authorities, fire protection contractors and industry all accept that they have an obligation to facilitate improvements it is unlikely that significant change will occur.

S.R. Levett
Group Insurance & Risk Manager
AMCOR Ltd.
Melbourne, Australia

Business Insurance welcomes letters. The section is intended to be a forum for opinions and comments. We reserve the right to edit letters and will not publish unsigned letters. Please send your letters to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; fax: 312-280-3174; e-mail: pwinston@craim.com.

August 26

a golden opportunity
for readers of
Business Insurance

WARD'S RESULTS

BI's August 26 issue will report on the internationally recognized Ward's 50 benchmarks for both Life/Health and Property/Casualty insurers.

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

And now, they'll also rely on BI for the first to report on the results from Ward's 1996 editions.

As an insurer, there's no better time, and certainly no better place, to reinforce your strengths to BI's 155,000* readers. BI's August 26 issue is your time to shine. Call now to reserve your ad space.

Ad Closing: August 14

Business Insurance

New York: 212-210-0133
Chicago: 312-649-5276 • Los Angeles: 213-651-3710
*Includes pass-along readership.

Near North hires new energy team

Comings & Goings: Industry

Two energy insurance specialists have joined Near North Insurance Brokerage Inc.'s newly established Near North Energy unit, which will be based in Los Angeles and Houston.

Michael H. Newman named senior vp and national practice leader in Los Angeles. Mr. Newman, who previously was senior vp in Minet Inc.'s Los Angeles office, will manage the Near North Energy unit.

In addition, **Neil Davis** was named a vp in Houston. Mr. Davis had been a vp with Minet in Houston.

In other broker changes:

Brad Bartholomew named vp and

director of the technical service department of Aon Risk Services Cos. Inc. in Boston. **Thomas M. Comer** named executive vp and chief operating officer of Aon Risk Resources Inc., a Chicago-based subsidiary of Aon Re Worldwide Inc.

Douglas W. Bullington named executive vp of Jardine MacNeill, the Miami-based managing general agency.

David P. Kressler named senior vp of Sedgwick James of Pennsylvania Inc. in Philadelphia. Also at Sedgwick, **Lucy D'Annunzio** named senior vp of Sedgwick James of New York Inc. in Rochester, N.Y.

Pamela K. Haughwout named

vp and leader of Marsh & McLennan Inc.'s New England health care practice in Boston. Previously, Ms. Haughwout was the health care industry team leader at Aon Corp.

John Costanzo named vp and account executive for Willis Corroon Corp. of Tennessee in Nashville.

Robert F. Gonor named senior vp-sales and marketing for Bertholon-Rowland Insurance Brokers in New York.

John R. Curran named president of Morse, Payson & Noyes Insurance, a Portland, Maine-based broker. Mr. Curran succeeds **James J. Kilbride**, who will remain chairman.

David P. TenHoor named senior vp of reinsurance intermediary Willis Faber North America Inc. and will establish a property/casualty office in Minneapolis.

Reinsurers

Jeffrey L. Sirr named senior vp of Capital Credit Reinsurance Co., a New York-based subsidiary of Capital Re Corp. Formerly, Mr. Sirr was senior vp of Willis Faber North America Inc.

TIG Reinsurance Co. named **James A. Bolz**, **Joseph C. Scordato** and **Blanca R. Kent** vps in Stamford, Conn.

Greenwich, Conn.-based NAC Reinsurance Corp. named **Jerome T. Fadden** chief financial officer, treasurer and executive vp and named **Richard H. Miller** vp and controller. Mr. Fadden was the former treasurer of Travelers Group Inc., and Mr. Miller had been vp and controller of Aetna Life & Casualty Co.'s property/casualty group, which is now Travelers/Aetna Property Casualty Corp.

James B. Lockhart, former execu-

tive director of the Pension Benefit Guaranty Corp. during the Bush administration, was named senior vp-finance at National Reinsurance Corp. in Stamford, Conn.

Robert W. Wooldredge named senior vp and general counsel of the U.S. branch of Gerling Global Reinsurance Corp. in New York.

Thomas R. Dickson named chief underwriter for the global operations of Centre Reinsurance Holdings Ltd. in New York.

Insurers

ITT Hartford Group Inc. has restructured its operations and appointed **William Stanway** to the new position of senior vp-commercial insurance operations and **John F. Donahue** to senior vp-international operations. Prior to the reorganization, Mr. Stanway was in charge of international operations. **Robert Imse**, who was in charge of the commercial underwriting and field operations, announced his plans to retire.

Terry L. Younghanz named senior vp-underwriting for RLI Corp. in Peoria, Ill.

Richard Richiski named senior vp-diversified products at Zurich-American Insurance Group in Chicago.

Francis X. Corr named senior vp-actuarial at Reliance Insurance Co. in Philadelphia, and **James Montgomery** named vp with responsibilities for Reliance's home office systems.

Dr. Jacki Goldstein named vp and chief medical officer of Travelers Life & Annuity Co. in Hartford, Conn.

Alan J. Baltz named senior vp, and **Roger T. Ecklund** and **Joseph N. Zuniga** named vps, at Kemper National Insurance Cos. in Long Grove, Ill.

Stanley B. Tulin named executive vp of The Equitable Cos. Inc. and senior vp and chief financial officer of its principal insurance subsidiary, The Equitable Life Assurance Society of the U.S., in New York.

Donald M. Carlton resigned as executive vp and as a director of the Hartford Steam Boiler Inspection & Insurance Co. to focus his attention as president and CEO of Radian International L.L.C., a 60/40 joint venture company between Dow Chemical Co. and Hartford Steam Boiler based in Austin, Texas.

HMOs/PPOs

Michael D. Pugh named president and CEO of QualMed, one of two principal subsidiaries of Health Systems International Inc., the Pueblo, Colo.-based health maintenance organization. Mr. Pugh succeeds **Dr. Dale Berkgigler**, who became vice chairman and chief medical officer of HSI. **Dr. Michael Siegel** named chief medical officer of Health Net, the other principal HSI subsidiary.

Earlier this year, HSI named **Jay M. Gellert** president and chief operating officer. Mr. Gellert, previously with Shattuck Hammon Partners, a health care investment advisory firm, succeeds **Dr. Malik M. Hasan**, who remains HSI's chairman and CEO.

Richard F. Belloff named president and CEO of Private Healthcare Systems Inc. in Waltham, Mass. He succeeds interim President and CEO **J. Rick Newsome**, who resumed his duties as executive vp and chief financial officer.

Beth Snyder named vp-marketing at Preferred Chiropractic Care in Wichita, Kan.

Rick Simmons named vp-corporate systems at WellPoint Health Networks Inc. in Woodland Hills, Calif.

With Winterthur Re on your team, you've got all your bases covered.

In today's unpredictable business climate, never play games with your reinsurance.

You need a lean, clever team behind you when you face the risks of business.

Only the strongest reinsurers can make the cut.

Winterthur Re is a big league player, among the top twenty reinsurers, with the strength and resources of a global parent.

This gives our clients the best of both worlds: A reinsurer small enough to provide close, personal attention. And the financial strength that assures our financial stability and commitment to the business.

We serve clients in all 50 states and Canada. We welcome casualty business, both treaty and facultative, as well as property, surety and special program treaty business.

*Winterthur Re.
Getting home safely is the name of the game.*

winterthur

Winterthur Reinsurance Corporation of America

Two World Financial Center
225 Liberty Street
New York, NY 10281
(212) 416-5700

1075 Bay Street
Toronto, Ontario M5S 2W5
(416) 928-8541



ASK A BENEFIT ACTUARY

Paying SERP taxes earlier may save company, execs

Q

When should our executives pay FICA taxes on benefits provided by a supplemental executive retirement plan?

A

This question comes from a benefit manager of an organization that sponsors a supplemental executive retirement plan for its executives. A SERP is a defined benefit plan promising a monthly benefit for an executive's lifetime if the executive retires from the

company after meeting certain age and service requirements. These benefits are in addition to those provided by the qualified defined benefit plan.

The Internal Revenue Service issued proposed regulations earlier this year regarding the Federal Insurance Contributions Act taxation of these SERP benefits and other types of non-qualified deferred compensation. The FICA taxes covered by the proposed regulation are the Old-Age, Survivors and Disability Insurance, or Social Security, tax of 6.2% on pay up to the Social Security wage base of \$62,700, and the Hospital Insurance, or Medicare, tax of 1.45% on all pay. Both the employer and the employee pay each tax, effectively doubling these tax rates. The employer can pay the tax for the employee.

The benefit manager faces two fundamental issues in applying the FICA tax requirements to the SERP:

- Under the SERP, when does the executive earn FICA "wages" that are subject to the FICA taxes? The executive actually will receive benefit payments after retirement occurs, but the Internal Revenue Code requires that FICA wages be imputed before or at retirement, and the FICA tax to be paid at that time.
- How is the amount of the FICA wages determined? SERPs have had these issues since 1983, when the IRC initially was amended to provide for the FICA taxation of SERP benefits and other non-qualified deferred compensation. However, the IRS did not propose regulations until 1996 because there was very little tax liability associated with non-qualified deferred compensation plans until 1994. Before 1994, pay above the Social Security wage bases was not subject to FICA taxation. In 1993, for example, pay above \$57,600 and \$135,000 was not subject to the OASDI and the HI taxes, respectively.

Because virtually all participants in non-qualified deferred compensation plans had annual earnings above \$135,000, the IRS risked little tax revenue loss from not issuing guidance. But Congress eliminated the HI wage base limit for 1994 and later years, effectively subjecting all non-qualified deferred compensation to the HI tax.

The proposed regulations provide very flexible

guidance to sponsors of SERPs for determining when participants earn FICA wages and the amount of the wages.

The amount of wages is determined as the actuarial present value of the future benefit payments to which the participant legally has a binding right. The actuarial present value can be determined using any "reasonable" actuarial assumptions and methods, but the regulations did not provide guidance on what is reasonable. This "reasonable" standard offers plan sponsors many opportunities for planning their tax liability and that of the executive.

The proposed regulations also are very flexible on when the executive earns FICA wages. They permit sponsors to defer the inclusion of FICA wages on the executive's Form W-2 until the actuarial present value of the future benefit payments is "reasonably ascertainable." This generally occurs when the executive separates from service with the sponsor and elects a form of payment for the benefit. Alternatively, the sponsor may include amounts in income prior to the time that the actuarial present value is reasonably ascertainable. For example, the plan sponsor might include annually in the executive's FICA wages the actuarial present value of that year's increase in the SERP vested accrued benefit.

At first blush, the latter alternative of allowing the sponsor and its executives to be taxed earlier rather than later seems rather hollow. After all, the conventional wisdom in tax planning is to defer the payment of taxes as long as possible.

However, there are some very good reasons that the benefit manager might choose to pay FICA taxes annually rather than deferring taxation until the executive separates from service, including:

- The FICA tax will be greater at separation from service than today for the same benefit accrual. This occurs because the tax at separation from service gets discounted at the interest assumption used for determining the present value.
- For example, assume a 55-year-old executive earns in 1996 a vested benefit of \$1,000 a month starting at age 65. If a 9% interest assumption is used for determining the present value of this benefit, the FICA tax will be 58% less if it is paid in 1996 rather than 2006. For the executive, this means a tax in 2006 of \$1,495, compared with a tax today of \$632. This is tantamount to investing \$632 in a zero-coupon bond earning a 9% tax-free return—an investment return that is tough to beat.
- The executive and the plan sponsor get today's tax rate and wage base. Given the financial predicament of Social Security and Medicare, it is reasonable to expect that the tax rates of 6.2% and 1.45% for OASDI and Medicare, respectively, might be increased. Furthermore, the OASDI wage base of \$62,700 might be significantly increased or eliminated. Paying the tax now presumably should protect the sponsor and the executive from future tax increases that are highly likely to be put in place.
- If the FICA wages are imputed annually and the FICA tax is paid each year, the executive and the company will avoid paying any OASDI tax on the SERP benefits. This is because the executive will have other earnings, e.g. base pay and bonuses, that will exceed the

Social Security wage base. However, if the FICA earnings are imputed at retirement, and if retirement occurs early in the calendar year, the executive may not have exceeded the Social Security wage for the year of retirement. If so, a portion of the imputed FICA wages would be subject to the OASDI tax.

The advantages gained from paying FICA taxes throughout the working career must be weighed against the potential disadvantage of overpaying the FICA tax on the imputed income from the SERP. For many SERPs, it is possible for the benefit from the SERP to decline from one year to the next. Many SERPs have promised a net monthly benefit, which is the difference of a gross monthly benefit and the qualified plan monthly benefit.

For example, a SERP might promise 2½% of highest three-year average earnings for each year of service—the gross benefit—reduced by the qualified plan benefit. If the qualified plan benefit increases by more than the gross benefit, the SERP benefit would be reduced.

If the SERP benefit decreases, it is possible to overpay the FICA tax through an annual tax payment approach. However, this risk can be minimized through the annual review of assumptions used for these calculations. If overwithholding does occur, the employer can get a refund of the excess amount paid in any open tax years. For most cases, recovery of taxes paid in open tax years should be ample protection against paying too much FICA tax due to a decrease in SERP benefits.

On balance, the proposed FICA tax regulations for non-qualified plans present many planning opportunities to minimize the FICA taxes paid by the company and the executive for defined benefit SERP plans. BI

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

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



Mr. Miner

This month's column on actuarial issues in the employee benefits field is written by William J. Miner, an actuary with Watson Wyatt Worldwide in Chicago. Richard E. Sherman, president of Richard E. Sherman & Associates Inc. in Ashland, Ore., answers actuarial questions concerning the casualty field. Susan M. Werner, director of risk management at Hardee's Food Systems Inc. in Rocky Mount, N.C., answers questions

pertaining to risk management. Dennis J. Nirtaut, managing director of compensation and benefits for Andersen Worldwide S.C. in Chicago, answers questions on employee benefit plans.

Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

Please include your name, job title and employer; however, Business Insurance will consider unsigned letters.

Insurer may seek underinsured motorist benefits

May a workers compensation insurer be reimbursed from an employee's recovery of underinsured motorist benefits paid by the employer's insurer? In a case of first impression, the Supreme Court of Vermont ruled that the insurer could.

Gary Cole was injured in a motor accident while in the course of his employment with the Cole Turf Co., his own business. The accident was caused solely by the negligence of an underinsured motorist. The Travelers Cos. provided workers compensation insurance

Legal Briefs

for Cole Turf and paid workers comp benefits to Mr. Cole. Mr. Cole's business had an automobile policy issued by Liberty Mutual Insurance Co. which provided UIM coverage. Travelers sought reimbursement of \$126,500 out of a \$160,000 recovery to Mr. Cole from Liberty Mutual. The trial court rejected the insurer's claim.

The appellate court said the employer's UIM insurer was a "third party" within the meaning of the workers compensation law. The court said the law does allow a workers compensation insurer that has paid out benefits to be reimbursed from UIM payments made by an employer's liability insurer.

"By requiring reimbursement of workers compensation carriers," the court said, "the statute thereby operates to lower the cost of workers compensation insurance." The decision issued by the

trial court was reversed.

The Travelers Cos. vs. Liberty Mutual Insurance Co., Supreme Court of Vermont, Nov. 9, 1995 (BI/03/Ju.-\$10). BI

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

The Home

Continued from page 1

New Hampshire and the other operating units of Home Holdings were consolidated into The Home to be run off.

The Home and its affiliates went into runoff last year after Home Holdings sold much of its insurer units' profitable business to Zurich Insurance Group.

Zurich pledged a \$1.59 billion reinsurance contract to cover outstanding liabilities of the business that it did not assume—much of which was long-tail asbestos and environmental liabilities—rather than stand behind the liabilities as it would in a more conventional takeover (BI, May 22, 1995). The reinsurance was seen as key to winning regulatory approval for the unusual deal.

But Rolf Hueppi, chairman and chief executive officer of Zurich, has noted that Zurich has no obligation to meet any of The Home's liabilities that exceed the protection provided by its reinsurance coverage (BI, Sept. 25, 1995).

The break-up and sale of The Home's business was a significant departure from conventional insurer takeovers and was seen as a possible model for other insurers with asbestos and pollution liabilities.

At the time of the deal, actuarial consultant Milliman & Robertson Inc. was appointed to assess the liabilities of The Home and affiliated insurers.

The actuaries used expense projection figures provided by Zurich, said Patrick J. Grannan, a consulting actuary at Milliman & Robertson in Radnor, Pa.

The actuaries assessed that under a possible worst-case sce-

nario, The Home's loss reserves could fall short by \$1.9 billion. But the reinsurance contract and the assets of The Home were expected to cover that deficiency. However, with runoff expenses now exceeding those initial actuarial estimates, the insurers' liabilities could outstrip their protection, said Mr. Nichols.

"The original number that we worked with was a \$1.9 billion deficiency in reserves, and if you assume that today, the model does not work," Mr. Nichols said.

One of the main reasons for the change in outlook appears to be a miscalculation.

The actuarial report was commissioned at the end of 1994 and it assumed a Jan. 1, 1995, start for the runoff. However, due to the prolonged regulatory assessment and approval period, The Home was not actually placed into runoff until June 1995.

"The model assumed that it was a runoff company but, really, until mid-June it operated as an insurance company," Mr. Nichols said.

The added expenses of full insurance operations are difficult to assess but will be significant, he said.

While there is no breakdown of specific runoff expenses in The Home's financial statements, the quarterly statement for the first quarter of 1996 shows policy acquisition and other insurance expenses at \$47 million, compared with \$106 million in the first quarter of 1995. Runoff-related expenses would be covered under this category.

The New Hampshire department has since used the example as an illustration of the difficulty in assessing runoff costs in presentations at National Assn. of In-

surance Commissioners' meetings, Mr. Nichols said.

However, he added, the assessment of The Home's liabilities could be radically changed by a new analysis of its claims.

Milliman & Robertson currently is conducting a much more extensive review of The Home, which is likely to take until December to complete, Mr. Nichols said.

Risk Enterprise Management Inc., the Zurich-owned company that is running off the insurers, contends that despite the increased costs there will still be enough money to pay all policyholders.

"Based on projections we made in March, we are not projecting that we would exceed the cover," said Mark Davidowitz, assistant controller and investment relations manager at REM in New York.

Since going into runoff, The Home's loss reserves have been substantially increased.

In the fourth quarter of 1995, The Home added \$440 million to asbestos and pollution reserves. The increase brought total net reserves for asbestos and pollution up to \$679 million.

According to the annual financial statement, at Dec. 31, 1995, The Home had approximately 2,200 policies for which one or more claims were open relating to asbestos and pollution matters. The individual totals were 900 open asbestos claims and 3,300 pollution claims.

"Although some of these claims involve primary policies issued by Home Insurance, most involve Home Insurance excess policies during the late 1960s through early 1980s. Policy limits on those excess policies range from \$100,000 up to as much as \$25

million and may operate above self-insured retentions or underlying insurance which may range from \$25,000 to hundreds of millions of dollars," the annual report says.

Shortly after the annual report was issued, The Home was downgraded to B- from B+ by Oldwick, N.J.-based A.M. Best Co.

The downgrade was made due to the potential harmful effects of environmental and asbestos liabilities, lack of any parent company support, and uncertainty over the extent of The Home's liabilities, according to a statement

by A.M. Best.

In an effort to curtail erosion of its assets, The Home stopped paying rent on its New York headquarters building last month.

The Home said it had been paying more than three times the market rate to Olympia & York Co. for its lease and that it now occupied only half of the space it had originally leased.

The insurer was renting 583,000 square feet and was required to pay \$130 million before the lease expired in September 1999. Olympia & York would not comment on the matter. **BI**

Insider Trading

Aetna Life & Casualty Co.: Gary G. Benanav, vp, exercised an option for 3,000 shares of common at \$61.50 each from May 15 to May 23. To cover expenses of the transaction Mr. Benanav turned in 3,000 shares of them for \$71.00 each from May 15 to May 23, and sold 3,500 shares in the open market between \$5.00 and \$74.50 each from May 15 to May 23. Mr. Benanav indirectly acquired by gift 176 and disposed of by gift 326 shares of common at an unreported price on May 15, and now directly and indirectly holds 3,419 common.

Robert E. Broatch, retired, exercised an option for 9,334 shares of common between \$46.75 and \$55.25 each on May 13, and sold them at \$70.00 each on May 13, and now directly and indirectly holds 4,996 common.

Aetna Life & Casualty stock closed at \$68.88 a share on July 5.

American International Group Inc.: M. Bernard Aidinoff, director, purchased 113 shares of common at \$95.63 each on June 4, and now directly holds 7,648 common.

Lloyd Bentsen, director, purchased 113 shares of common at \$95.63 each on June 4, and now directly holds 2,036 common.

Marshall Cohen, director, purchased 113 shares of common at \$95.63 each on June 4, and now directly holds 1,801 common.

Barber B. Conable, director, purchased 113 shares of common at \$95.63 each on June 4, 1996 and now directly holds 4,951 common.

Houghton Freeman, retired, sold 50,225 shares of common between \$94.38 and \$94.50 each from May 28 to May 29, and now directly and indirectly holds 1,224,945 common.

Carla Anderson Hills, director, purchased 113 shares of common at \$95.63 each on June 4, and now directly and indirectly holds 2,862 common.

Frank J. Hoenemeyer, director, purchased 113 shares of common at \$95.63 each on June 4, and now directly holds 12,965 common.

Douglas A. Paul, retired, exercised an option for 654 shares of common at \$21.38 each on May 30, and now directly holds 10,748 common.

Dean P. Phypers, director, purchased 113 shares of common at \$95.63 each on June 4, and now directly holds 9,145 common.

American International Group Inc. stock closed at \$94.50 a share on July 5.

CNA Financial Corp.: Robert G. Adams, vp, exercised an option for 4,000 shares of common at \$52.00 each on May 2. To cover expenses of the transaction, Mr. Adams turned in 508 of them for \$81.00 each on May 2, and sold 2,586 shares in the open market at \$80.63 each on May 2 and now directly holds 3,439 common.

W. Martin Braham, vp, sold 7,055 shares of common at \$81.50 each on May 3, and now directly holds 7,652 common.

Antoinette Cook Bush, director, purchased 200 shares of common at \$99.13 each on May 14, and now di-

rectly holds 200 common.

Peter D. Sutherland, director, indirectly purchased 165,800 shares of common at \$84.63 each from May 7 to May 17 and sold 60,500 shares at \$85.00 each from May 7 to May 17, and now directly and indirectly holds 327,346 common.

Maurice W. Worth, vp, exercised an option for 39,500 shares of common between \$52.00 and \$73.13 each from May 1 to May 13. To cover expenses of the transaction Mr. Worth turned in 2,455 of them for \$80.63 each from May 1 to May 13, and sold 13,749 shares in the open market between \$80.38 and \$81.88 each from May 1 to May 13, and now directly holds 15,918 common.

CNA stock closed at \$102.50 a share on July 5.

General Re Corp.: John Charles Etling, retired, exercised an option for 2,000 shares of common between \$55.81 and \$89.31 each on May 31, and sold them at \$145.00 each on May 31, and now directly holds 26,643 common.

William C. Ferguson, director, purchased 1,000 shares of common at \$141.06 each on May 14, and now directly holds 2,130 common.

General Re stock closed at \$149.75 a share on July 5.

Humana Inc.: Wynetka Ann Reynolds, director, purchased 600 shares of common at \$23.00 each on May 30, and now directly and indirectly holds 3,087 common.

Humana stock closed at \$17.25 a share on July 5.

Lincoln National Corp.: Richard Stuart Robertson, vp, indirectly exercised an option for 5,000 shares of common at \$27.75 each from May 6 to May 7. To cover expenses of the transaction Mr. Robertson turned in 2,337 of them for \$45.38 each from May 6 to May 7, and sold 1,200 shares in the open market at \$45.00 each from May 6 to May 7, and now directly and indirectly holds 25,636 common.

Lincoln National stock closed at \$44.75 a share on July 5.

Poe & Brown Inc.: Bruce G. Geer, director, sold 300 shares of common at \$24.38 each on May 4, and now directly and indirectly holds 85,017 common.

Poe & Brown stock closed at \$25.00 a share on July 5.

SAFECO Corp.: John W. Ellis, director, purchased 1,000 shares of common at \$33.38 each on May 14, and now directly holds 11,024 common.

Roger H. Eigsti, chairman, exercised an option for 4,942 and disposed of by gift 300 shares of common between \$19.63 and \$23.94 each from June 17 to June 19, and now directly and indirectly holds 119,107 common. SAFECO stock closed at \$34.25 a share on July 5.

Insider Trading, compiled by Invest/Net Trading Group Inc. of Fort Lauderdale, Fla., from reports filed with the Securities and Exchange Commission, tracks stock sales and purchases by insurance industry directors and officers. The column is distributed by Tribune Media Services Inc.

Work comp more profitable: Study

By CRISTAL CODY

Workers compensation is experiencing a dramatic comeback in profitability after more than a decade of poor results, a recent study shows.

Indeed, workers compensation now is one of the most profitable lines in the property/casualty industry, according to Conning & Co., which prepared the study.

The improvement in workers comp can be traced to managed care, lower medical inflation, fraud detection and state reform initiatives, such as reducing medical costs and fraud, the study reports.

Claude Fongemie, vp of insurance research and publications at Conning in Hartford, Conn., said a combination of many trends, not any single factor, is behind the line's improvement.

"It is really in contrast with the '80s and '90s when it was a serious drag on the industry's results," he said of workers compensation results. "This business has come from being way worse in industry average to being way better than the industry in a few short years."

Key changes outside of the industry that have affected workers comp include a switch from a manufacturing society to a service-based economy, growth in the number of companies with fewer employees and an aging population.

Market changes within the industry include a higher level of attorney involvement, more non-traumatic claims, the use of managed care and improved

claim handling procedures.

Although the workers compensation line has made a great financial turnaround since 1992, premiums have declined over the past four years, falling cumulatively 16% between 1991 and 1995, according to Conning.

Also, underwriting expenses have escalated, resulting in a rising expense ratio that has increased by four points between 1987 and 1995, the study shows. The study predicts the industry's workers comp expense ratio will be 22.4% for 1995, the highest in at least 15 years.

At the same time, though, the loss ratio for the industry dropped from a high point of 99.3% in 1991 to an estimated 70.7% in 1995.

Conning & Co. is forecasting a combined ratio of 99.3% for 1995, which it says would be the first positive underwriting result in 22 years. It dropped from 122.1% in 1992 to 101.1% in 1994.

The National Council on Compensation Insurance estimates that workers comp insurers' 1995 combined ratio is 98% (BI, April 15).

The Conning study estimates a return on equity on this line of almost 18% in 1995, which it says is more than double the property/casualty industry's ROE.

However, the study said financial performance for workers comp insurers peaked in 1995 and that competition now will worsen loss performance.

"The profitability is attracting competition, and competitive

forces will eventually squeeze margins," Mr. Fongemie said.

"As soon as they become successful, companies start cutting prices in order to protect and/or gain market share," he said. "The end result down the road is that it will be no longer profitable."

The study states that while it once was possible for a workers compensation insurer to be successful by simply collecting premiums and processing claims, the profitable insurer today must also be active in loss prevention, managed care, and helping reduce attorney involvement.

The study estimates that if workers comp claimants' use of attorneys was eliminated just during the 1996-2000 period, claim payments would be cut by almost \$11 billion. Although that is unlikely, the study does project that if attorney involvement were cut by 25% of the current level, total claim payments would be reduced by 2% over this five-year period.

Traditional workers compensation insurers have significant experience in complex pricing and underwriting, which still are extremely important areas of this line, according to Conning. But, the study says many of these companies have a weakness in managed care, which is beginning to play a significant role in reducing the cost of treating injured workers.

Copies of the study, "Workers Compensation-No Longer Business as Usual," are available for sale from Conning & Co. at 860-520-1521.

INTERNATIONAL

Keystroke of genius

Global questions pose few problems for broker systems

By MICHAEL SCHACHNER

What do the world's largest brokers do when a risk manager calls to inquire about compulsory insurance and regulations in foreign countries in which they are considering doing business?

Ten years ago, the broker would have been forced to thumb through cumbersome bound-reference materials in hopes of finding some answers. Maybe the broker would have luck, but more often than not, reference materials containing information on insurance-related laws, regulations and taxes in hundreds of different countries were out of date, incomplete or nonexistent.

But today, fighting one's way through thousand-page country information tomes is no longer

necessary.

During the 1990s, global brokers have taken giant steps to improve their ability to gain better and quicker access to information about insurance markets in virtually every country throughout the world.

The vehicle has been automation.

Most international brokers either have, or are putting the final touches on creating, computer-based systems that can be accessed from any of the broker's offices throughout the world. If a risk manager wants to know if boiler and machinery is a compulsory coverage in Belgium or Botswana, the broker simply searches the firm's computerized database to find the answer.

Can non-admitted insurers write liability coverage in Indonesia? What are the current premium taxes in Germany and France? Is there a market for directors and officers liability coverage in South Korea? The an-

swers to those and many other questions are a quick database check away.

Brokers say that moving toward automation and away from paper to obtain pertinent international insurance information is saving them immeasurable time and money.

"Formerly, we kept country information in 15-ring binders. We had up to 60 pages on some countries. When you have volumes on 80 countries, that takes up a meter and half of shelf space, and that's just one directory. We had to do away with that," explained Nick Foord-Kelcey, technical director in London with Sedgwick Group P.L.C.

"It was a huge task just keeping these books up to date. We literally had to back trucks up to the buildings to load up this material for transportation," Mr. Foord-Kelcey said.

Virtually all major brokerages have joined the computer age with respect to international country

databases, also known as country information systems. In some cases, the systems are proprietary and can only be accessed by brokers.

Other brokers, meanwhile, have crafted networks that allow clients to log on and access the information themselves.

Johnson & Higgins is one of the pioneers in this area. It maintains its International Country Information System on Lotus Notes. A 10-year-old system, it is now available to about 3,000 UNISON network members worldwide and has complete information and anecdotal accompaniments on 102 countries.

Hugh Roberts, global automation leader for J&H in Philadelphia, said ICIS is well used. "More than just containing facts, we try to include local interpretation and anecdotes. It's far better than sending out diskettes and bound volumes. Typically, binders aren't even read. But this is on every desktop, so usage is much greater. It's one of the most used databases we have."

Willis Corroon Group P.L.C. introduced its FAACT system in

1986.

Originally, FAACT was an electronic mail system that contained basic country information. But over the past 10 years, the system has been continuously upgraded to the point that it now has detailed information about insurance regulations and other pieces of information on 125 countries. And clients can access the system themselves.

Claude Gallelo, managing director of Willis Corroon International/Americas in New York, said Willis Corroon brokers and clients have fingertip access to updated information on insurance laws and regulations, taxes, assessments, rules on non-admitted insurers and many other things. "The system will tell you technical information on coverages like D&O, auto and more. It includes information on what forms are being used in a specific country, which markets are providing the coverage and whether there's any demand for a line of insurance," Mr. Gallelo said.

FAACT, like similar systems at other brokers, relies on field per-

See *Brokers on page 19*

Exposure heats up

Climate change to raise claims: Study

By EDWIN UNSWORTH

LONDON—British insurers are at risk of a major increase in claims over the next 50 years as a result of global warming, with insured costs from windstorms alone possibly doubling in the United Kingdom, according to a recent report prepared for the government.

The U.K. Climate Change Impacts Review Group, an independent scientific panel reporting to the Department of the Environment, says that while the southeast of Britain will become drier and warmer, the northwest will become wetter and subject to more flooding. While this is anticipated to bring some benefits, such as more tourism to London, the impact for insurers is likely to be more and bigger claims.

Although the report concentrates on the effects of global warming in Britain, it also warns that because British insurers operate globally through their foreign subsidiaries and reinsurance operations, they face increased weather-related claims from other countries as well.

The report calls on insurers to cooperate with other players in the property insurance market to reduce vulnerability to extreme weather events by assembling and providing information on damage and best practices in other countries. This should assist adaptive measures, such as improved construction and land development.

Insurers also should regularly review their capabilities to handle extreme events and promote the adoption of disaster plans by clients and suppliers. They also should develop computer programs and analysis procedures to track claims and weather data to analyze how weather patterns are changing.

Finally, says the report, legislation should be changed to allow the creation of tax-free ca-

tastrophe reserves.

The effects of the climate changes will be felt immediately, and probably most strongly, by property insurers, the report warns. The worst effects are likely to come from an increased frequency and severity in windstorms.

The report forecasts a potential 6% increase in mean winter wind speeds in southern Britain by 2050. Wind damage, and the extra rain and increased sea levels that would be associated with such conditions, might "conservatively" mean an increase in average annual costs, at 1990 values, of £200 million (\$386 million), though the cost in a single year might be £3 billion to £4 billion (\$5.79 billion to \$7.72 billion), the report warns.

Less summer rainfall in the south of England will lead to a certain increase in claims from subsidence, as the area's high-clay-content soil shrinks during long periods without rain, causing building foundations to shift and crack. The report forecasts that about twice per decade from the 2050s this could lead to claims of around £200 million at 1990 values.

If rainfall were to increase by about 10% in other areas, the number of inland floods could double, and claims from such conditions, now rather rare in Britain, could reach an extra £50 million (\$96.5 million) a year at 1990 values.

Health and life insurers also may be hit by claims arising from greater heat and atmospheric pollution and increased levels of ultraviolet radiation. Also, they could face claims from large-scale loss of life in the event of a natural catastrophe.

Liability insurers may be affected due to the risk of pollution from waste sites after a large-scale inundation. Public authorities' liability to protect the community from natural

See *Warming on next page*

Insurer targets utilities

Sydney insurer seeks leadership in Australasian utility market

By KATE TILLEY

SYDNEY, Australia—HIH Winterthur International Holdings Ltd. hopes that its recent purchase of a specialist utilities insurer will provide the spark for it to corner this niche in Australia and southeast Asia.

The utilities market in Australia and southeast Asia generates gross written premiums of about \$250 million Australian (\$198.3 million) a year, according to Fred Lo, company secretary of HIH Winterthur in Sydney. HIH Winterthur plans to access that market following its June 20 purchase of Melbourne-based Utilities Insurance Co. Pty. Ltd.

Utilities Insurance, originally established in 1990 as a captive insurer for the government-owned State Electricity Commission of Victoria, writes about \$17 million Australian (\$13.5 million) of premiums annually. Because it was overseen by the Victorian government and, originally, wrote cover-

age only for Victorian government-owned entities, Utilities was not required to be licensed by Australian insurance regulators.

But, in order to expand its business, Utilities either had to obtain an insurance license or be acquired by a registered insurer.

HIH Winterthur paid \$2 million Australian (\$1.59 million) for the company, which will now become an underwriting agency for HIH Winterthur, which is one of Australia's largest publicly traded insurers.

Mr. Lo said Utilities currently writes property/casualty coverage for 13 Victorian electricity generation, transmission and distribution utilities, all of which have been established since 1993, when the Victorian government began privatizing electricity generation and supply in the state.

Before HIH Winterthur's purchase, Utilities fully reinsured all its risks, but Mr. Lo said HIH Winterthur is now "working out how much we want to retain."

Opportunities have opened up recently for Utilities Insurance because it is the only underwriter specializing in utilities insurance in the region and other state governments and southeast Asian nations are privatizing electric utilities, said Ray Williams, chief ex-

ecutive of HIH Winterthur.

The New South Wales electricity authorities will be an initial target for Utilities Insurance, said Mr. Lo, though HIH Winterthur aims to get "a good spread of Australian and overseas business" for the company. He said HIH Winterthur already writes directors

The New South Wales electricity authorities will be an initial target for Utilities Insurance, says Fred Lo.

and officers liability coverage for several electricity authorities throughout Australia, and is anxious to expand that D&O business.

Meanwhile, HIH Winterthur has established a joint-venture company in Argentina to take advantage of that country's decision to make workers compensation compulsory as of July 1 (*BI*, June 3).

HIH Winterthur formed the joint venture with an Argentinian conglomerate, Interamericana (ART) S.A., and the venture will

See *HIH on page 19*

Swiss Re's CEO to resign
Successor plans to maintain reinsurer's strategies

ZURICH—Swiss Reinsurance Co. has indicated no change in direction after the resignation earlier this month of its chief executive officer, Lukas Muhlemann.

Mr. Muhlemann will leave Swiss Re on Dec. 31, 1996, to take the newly created position of group chief executive officer of the restructured Credit Suisse Group. He will remain on the Swiss Re board as deputy chairman.

Walter B. Kielholz will succeed Mr. Muhlemann as CEO at Swiss Re on Jan. 1.

Mr. Kielholz joined Swiss Re in 1989 and since April 1995 has been a member of its executive board, with worldwide responsibility for the Alternative Risk Transfer Markets division.

Over the past two years Mr. Muhlemann, who joined Swiss Re from management consulting firm McKinsey & Co. in 1993, has spearheaded a major

restructuring of the Zurich-based reinsurance company.

The most significant of these changes involved the sale of Swiss Re's direct insurance interests to concentrate on its core reinsurance operations (*BI*, April 10, 1995).

A Swiss Re spokesman emphasized that in doing this Mr. Muhlemann worked closely with Mr. Kielholz, who will continue to concentrate on that process.

Swiss Re said in a statement that in the absence of any unforeseen exceptional losses, its results should improve again this year.

Total results should be "considerably" better this year, largely because of a 6 billion Swiss franc (\$4.75 billion) increase in average investment volume, the statement said.

—By Edwin Unsworth

INTERNATIONAL

Warming

Continued from previous page hazards might rise if protection or warnings are inadequate.

The large London market marine sector, which includes aviation, transportation, cargo and energy accounts, also is vulnerable to severe weather, warns the report.

One moderating factor is that the generally warmer winter weather predicted for southern England could reduce the level of claims from damage caused by burst pipes by as much as 30%, saving insurers around £50 million a year.

However, the report acknowledges that one major uncertainty in this respect is what global warming might do to the Gulf

Stream, which comes up from the southern Atlantic and helps moderate Britain's temperature. Any major weakening of the Gulf Stream could prevent more moderate winter weather.

The report, "Review of the Potential Effects of Climate Change to the U.K.," is being released to coincide with the second conference of the parties to the United Nations Framework Convention on Climate Change from July 8-19 in Geneva.

U.K. Environment Secretary John Gummer is pressing other developed countries at the meeting to ensure they meet the commitments they made at the 1992 U.N. Conference on Environment and Development, known as the Rio Earth Summit, to reduce greenhouse gas emissions to 1990 levels

by 2000. He is proposing also that they agree to aim to reduce emissions by 5% to 10% below 1990 levels by 2010.

Meanwhile, a group of insurers warned delegates at the U.N. con-

United Nations Environment Program, called for action to be taken urgently, claiming hesitation will only allow bigger problems in the future.

UNEP member Andrew Dluogo-

The generally warmer winter weather predicted for southern England could reduce claims from burst pipes, saving insurers £50 million a year, the report says.

ference that more needs to be done to reduce greenhouse gasses if property damage and insurance claims are not to rise dramatically. The insurers, members of the

lecki, group assistant general manager of the corporate division of General Accident P.L.C. of the United Kingdom, said that emissions of dangerous greenhouse

gases need to be curbed.

However, he added that it is difficult to specify a safe level because no one knows what targets are necessary or feasible.

Another UNEP member, Ivor Knoepfel, a member of the natural hazard assessment group at Swiss Reinsurance Co., said that while it is not possible to predict the effects of global warming on the frequency and severity of extreme weather conditions, experience has shown that even small shifts in circulation patterns and regional climates can lead to increased property damage.

Copies of the report are £28 (\$42). Contact Her Majesty's Stationery Office, P.O. Box 276, London SW8 5DT; 44 171 873-9090; fax: 44 171 873-8200.

The Professional Marketplace

RATES AND CLOSING TIME:

Rates: Display classified is \$153.00 per column inch, minimum of one inch. Straight classified is \$13.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional \$22.00 charge for all blind box ads. Only those responses which fit into a business size envelope will be forwarded. Responses are forwarded daily.

Closing: Published every Monday. Copy must be in typewritten form by 5:00 Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Most major credit cards accepted. Mail ads to, Cheryl Butler, Classified Advertising, 740 North Rush Street, Chicago, Illinois 60611. For more information call 312-649-5340 or FAX 312-649-7799.

LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK
IN THE PETITION OF PHILIP JOHN SINGER AND
CHRISTOPHER JOHN HUGHES, AS JOINT PROVISIONAL LIQUIDATORS OF
UNITED STANDARD INSURANCE COMPANY LIMITED,
Case No. 96-B-43219 (JHG)

NOTICE IS HEREBY GIVEN that on June 27, 1996, an order was entered by the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") in connection with the case filed with respect to United Standard Insurance Company Limited (the "Company") pursuant to section 304 of the Bankruptcy Code (the "Order"):

1. Enjoining all persons and entities that received notice of the June 27, 1996 hearing from (a) transferring, relinquishing or disposing of any property of the Company in the United States, or the proceeds of such property, to third parties; (b) commencing or continuing any action or other legal proceeding (including, without limitation, arbitration or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever and any discovery in connection therewith) against the Company or any of its property in the United States or any proceeds thereof; (c) enforcing any judicial, quasi-judicial, administrative or regulatory judgment, assessment or order or arbitration award, and commencing or continuing any act or action or other legal proceeding (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) to create, perfect or enforce any lien, setoff or other claim against the Company or any of its property in the United States or any proceeds thereof, including, without limitation, rights under reinsurance or retrocession contracts; and (d) drawing down any letter of credit established by, on behalf or at the request of, the Company, or withdrawing from, setting off against, or otherwise applying property that is the subject of any escrow agreement or similar arrangement in which the Company has an interest, in excess of what is expressly authorized by the terms of the contract and any related trust or other agreement pursuant to which such letter of credit, escrow, or similar arrangement has been established except, however, no drawing against any letter of credit shall be made in connection with any commutation unless the amount has been agreed in writing with the Petitioners or permitted by further Order of the Court;

2. Requiring all persons and entities that received notice of the June 27, 1996 hearing that are beneficiaries of letters of credit established by, on behalf or at the request of, the Company or parties to any escrows or similar arrangements in which the Company has an interest to (a) provide notice to the Petitioners' United States counsel of any drawdown on any letter of credit established by, on behalf or at the request of, the Company, or any withdrawal from, setoff against, or other application of property that is the subject of any escrow agreement or similar arrangement in which the Company has an interest, together with information sufficient to permit the Petitioners to assess the propriety of such drawdown, withdrawal, setoff or other application, including, without limitation, the date and amount of such drawdown, withdrawal, setoff or other application and a copy of any agreement pursuant to which any such drawdown, withdrawal, setoff, or other application was made and provide such notice and other information contemporaneously therewith; and (b) turn over and account to the Petitioners for all funds from such drawdown, withdrawal, setoff, or other application, in excess of what is expressly authorized by the terms of the contract, any related trust or other agreement pursuant to which such letter of credit, escrow or similar arrangement has been established;

3. Requiring every person and entity that received notice of the June 27, 1996 hearing that has a claim arising under a contract of insurance, reinsurance, retrocession or otherwise, written or entered into by the Company and who is a party to any action or other legal proceeding (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) in which the Company is or was named as a party, or as a result of which a liability of the Company may be established, to place the Petitioners' United States counsel on the master service list of any such action or other legal proceeding and to take such other steps as may be necessary to ensure that such counsel receives (a) copies of any and all documents served by the parties to such action or other legal proceeding or issued by the court, arbitrator, administrator, regulator or similar official having jurisdiction over such action or legal proceeding and (b) any and all correspondence, or other documents circulated to parties named in the master service list; and

4. Providing that notwithstanding the foregoing, the stay against the commencement or continuation of legal proceedings shall not apply to pending actions in which appeals have been fully briefed and argued, or submitted for decision, prior to June 20, 1996, but such stay shall apply to any further proceedings (including further appeals) in such actions.

The Order shall remain in effect pending a hearing scheduled to be held on October 8, 1996 at 9:30 a.m. before the Honorable Jeffrey H. Gallet in Room 523 of the Alexander Hamilton U.S. Custom House, One Bowling Green, New York, New York. Any party in interest who has not received a copy of the Petition and Supporting Papers and/or the Order should contact counsel for the Joint Provisional Liquidators in writing at the address below:

Chadbourne & Parke LLP
30 Rockefeller Plaza
New York, New York 10112 • (212) 408-5100
Attention: Kenneth P. Coleman, Esq.

LEGAL NOTICE

HELP WANTED

WORKERS' COMPENSATION COORDINATOR

Sain: Agnes Medical Center, in California's Central Valley, seeks a Workers' Compensation Coordinator to be responsible for providing a safe and healthy environment for employees in compliance with applicable laws and regulations. This will include providing case management on claims, developing prevention programs, and participating in committees which ensure employee health and increase worker safety. Our ideal candidate will have a Bachelor's degree in Occupational Health/Business/Health Science or a related field, along with 2 years' experience in an Occupational Health or Workers' Comp setting. Knowledge of OSHA and Title 22 regulations plus an understanding of managed care developments and markets are required. Confident interpersonal and presentation abilities are a must. We offer a competitive salary and comprehensive benefits package. Send your resume to: Saint Agnes Medical Center, Human Resources, P.O. Box 27590, Fresno, CA 93729-7590, or fax to: (209) 449-5229. We are an equal opportunity employer.

HELP WANTED

COMMERCIAL/TRUCK UNDERWRITER

Great West Casualty Company, a specialty company providing insurance coverage for the motor carrier industry is seeking experienced truck underwriters. We have constant progress, a focus on customer service, a team atmosphere, and are rapidly expanding our Eastern Region Office. Our AM BEST rating is A+! We are a leader in the truck insurance industry!

MINIMUM QUALIFICATIONS

- Bachelor's Degree with four years commercial multi-line/truck underwriting experience.
- Formal insurance training, strong commitment to continuing education.
- Excellent written and verbal communication skills.
- Marketing and negotiation skills.
- Reliable personal auto for business travel.

We offer an attractive compensation and benefit package. For consideration send cover letter and resume to: Jean Ann Carrigan, Manager, Staff Services, Great West Casualty Company, 1901 Liberty Drive, PO Box 4555, Bloomington, IN 47402-4555, Fax: 812-337-4321.

Equal Opportunity Employer

HELP WANTED

RISK MANAGEMENT SUPPORT

Support service for Risk Mgmt functions. Policy Review, Claim history analysis. Prepare specs. WC exp. Mod. testing, checking. Retro Rating calculation, evaluation, closure negotiations. NY Metro area. Send replies to:

Business Insurance, Box 2994,
740 North Rush Street,
Chicago, IL 60611.

RISK MANAGEMENT

Michigan's largest Long Term Care Company seeks experienced Risk Manager knowledgeable in safety and health, as well as insurance coverages. Will have direct hands-on responsibility for monitoring and managing workers compensation, casualty and property coverages. Also responsible for daily operations and overall management of Loss Control programs including, development and implementation of action plans, plus selection of insurance coverages, and critical case management. Familiarity with health care industry a plus. Must be able to interact effectively with all levels of the organization.

Multiple locations require about 40% travel. Compensation commensurate with experience. Full benefit package including company car. Please submit resume and salary requirements to:

Tendercare (Michigan) Inc.
209 E. Portage Avenue
Sault Ste. Marie, MI 49783
Attn: Human Resource Department
Fax: (906) 635-6008
Equal Opportunity Employer

ASSISTANT VICE PRESIDENT/ ACCOUNT EXECUTIVE

Immediate opening for an AVP/AE in our New York City based insurance brokerage firm's Risk Management department. The selected candidate will have at least eight years property/casualty insurance brokerage experience and will have a thorough understanding of loss sensitive plans and HPR risks. Responsibilities include managing, marketing and servicing a diverse book of large and complex commercial accounts. Position requires client contact so some travel is required. In addition to having a college degree and strong computer skills with MS Word and MS Excel (McCraken is a plus), the selected candidate must be an effective communicator with proven problem solving abilities.

In addition to an annual starting salary of \$60,000, our firm offers excellent benefits including profit sharing and incentive plans.

Send resume with salary history to:

LG, P.O. Box 43
Bowling Green Station
New York, NY 10274-0043
Fax (212) 504-1850.

HELP WANTED

FREE LANCE WRITER

National newsletter publisher needs writers with expertise in workers' comp settlements, mediation, cost control. Also risk management cost control. Send resume to Mike at Northeast Publishing Group, 23 Drydock Ave, Boston, MA 02210 or fax to 617-345-9649.

VICE PRESIDENT PROGRAM BUSINESS National Broker

SR. VICE PRESIDENT EXCESS & SURPLUS LINES Texas

The Insurance Group MANAGEMENT RECRUITERS OF RICHMOND

For confidential consideration fax your resume or call:

Paul Baird, II, Group President

Fax (804) 282-4990
Ph (804) 285-2071

REQUEST FOR PROPOSALS

NEW YORK CITY HOUSING AUTHORITY

250 Broadway, New York, NY 10007

Public Notice

INVITATION FOR BID

CONTRACTORS POLLUTION LIABILITY & EXCESS LEAD-BASED PAINT ABATEMENT INSURANCE

The New York City Housing Authority ("NYCHA") requests Bid Proposals from qualified INSURANCE CARRIERS for contractors pollution liability and excess lead-based paint abatement insurance coverage.

Proposals shall be made in the format included in the Invitation For Bid packet containing instructions, specifications and detailed submission requirements. Packets may be obtained from NYCHA's Insurance Consultant: Sedgewick James, Inc. 1285 Avenue of the Americas, 37th Floor, New York, NY 10019. In order to be eligible, completed bid proposals must be received by August 9, 1996.

All inquiries for additional information regarding the Request for Proposal may be directed, in writing to Robert Mazzaro, Vice President, Sedgewick James, Inc., at the aforementioned address, or by calling (212) 830-1189.

NYCHA IS NOT SOLICITING QUOTES FROM BROKERS.
RUDOLPH W. GIULIANI, MAYOR, CITY OF NEW YORK
RUBEN FRANCO, CHAIRMAN, NYCHA



Looking for a candidate to fill the job?

Call Cheryl Butler at 312-649-5340 for advertising details.

INTERNATIONAL

Brokers

Continued from page 17
sonnel to update the information. For example, a broker in Austria would be the one who would enter the system and note that the premium tax on Austrian property just went up to 3% from 2%.

"Typically, we use our system to keep up on changes in local requirements. A local knowledge expert will note on the system that boiler and machinery has just become mandatory in Norway. That will be reviewed by our knowledge manager in New York, and then it will be replicated on the system that day," explained Tim Brady, senior vp-information management with Marsh & McLennan Cos. Inc. in New York.

M&M's country information system is called Country Data, and it's a facet of the company's larger Professional Information Exchange (PIX) system, a Lotus Notes-based communications program.

"The key to this is two-way information traffic. We encourage people to contribute new information as it becomes available," said Mr. Brady. "The whole thing is an outgrowth of the old paper volumes we had. What's so great about having this in electronic form is that we can attach infor-

mation to e-mails and it's so quick."

Such systems are not only the property of the largest brokers.

ExcelNet, a joint reciprocal arrangement between Acordia Inc., Dale-Parizeau Inc. of Montreal, CECAR of Paris, Bain Hogg Group of London, Inchcape Insurance Services of Hong Kong and Boels & Begault of Brussels, Belgium (BI, Sept. 11, 1995), is in the

'What's so great about having this in electronic form is that we can attach information to e-mails,' says Tim Brady.

final stages of testing its ExcelNet Risk Management Information System, which can be accessed by brokers in 70 countries as well as all clients.

The system has a country information menu, "and ultimately, our objective is to have every country in the world on the system," said Kevin Conboy, president and CEO of Acordia Northeast in Morristown, N.J.

He said the menu element of the network's RMIS will include mandatory domestic coverages, how

non-admitted insurers can be used, tariffs and even whether managed care exists in a certain market.

"This replaces an archaic, expensive system that couldn't be updated in a timely manner. This is also connected to clients who will have access to it 24 hours a day, seven days a week," Mr. Conboy said.

Mr. Foord-Kelcey of Sedgwick believes that if brokers in various international markets provide the information necessary to keep systems like Sedgwick's International Insurance Directory current, these country information databases will prove invaluable.

"How else can you find out immediately if CIGNA is represented in a certain country? What limits are common for domestic and international risks? What's the largest liability award in a country? Can you use a claims-made form? What's the market capacity for wherever?" he asked, rhetorically.

"If a client calls you and says: 'We've made an acquisition of a multinational company. Can you tell us if Paraguay, Brazil and South Africa allow non-admitted insurers?' We can now tell them right away.

"Everyone thinks this technology is fantastic, and why shouldn't they?" **BI**

Pro-Lloyd's brief filed

SAN FRANCISCO—California Insurance Commissioner Chuck Quackenbush has weighed in on the side of Lloyd's of London in the market's fight with U.S. members and securities regulators.

Mr. Quackenbush asserts in an amicus brief filed last month in a case before the 9th U.S. Circuit Court of Appeals that membership in Lloyd's is not a security.

That position contrasts with a brief filed by the U.S. Securities and Exchange Commission, which assumes that Lloyd's membership is a security, and therefore Lloyd's U.S. members should have their dispute heard in U.S. courts (BI, May 13).

The case between Lloyd's and members alleging fraud was turned down last year by a federal district court in San Diego (BI, Sept. 13, 1995).

Last month, United Policyholders

Inc., a California insurance buyers' advocacy organization, filed a brief objecting to the SEC's position and urging the court to find a remedy that would ensure claims payments to policyholders.

In a separate case, four California Lloyd's members filed suit in San Francisco Superior Court against the California Department of Corporations to prevent the securities regulator from "interfering with their right to do business in London." The DOC had filed a cease and desist order against Lloyd's that was dismissed on technical grounds.

In turn, the four members and the DOC are being sued by another group of members that is seeking declaratory relief to the effect that the DOC has jurisdiction and authority to bring actions against Lloyd's and should be compelled to do so.

—By Gavin Souter

Germany reforms pensions

BONN—Germany's Bundestag has passed sweeping reforms of the country's national pension system aimed at stemming burgeoning government outlays and wage costs.

By the year 2000, Germany will prune its social security outlays by 33 billion DM (\$21.63 billion) by raising the retirement age for women, cutting certain benefits—like spa treatments—and forcing the sale of property owned by state-owned pension funds (BI, April 15).

Beginning in 2000, the minimum retirement age of women will increase by one year for each

calendar year from 60 to 65 by 2005, the same age that men may retire.

Early retirements before the higher age will lead to a 3.6% reduction in payments, the government projected.

The reforms also cut the pensions of ethnic Germans who return to Germany from eastern Europe after living behind the Iron Curtain.

Unemployed citizens or employees with long-term ailments who do not pay into the social security system no longer will receive automatic retirement contributions from the government.

Employers expect the measure to stop the steady increase of their contributions to the German pension system; contributions from employers and employees now amount to 19.2% of gross wage costs.

Germany's pension contributions are among the highest in the world, and the government of Helmut Kohl has made it a priority to limit their impact on wage costs in order to make Germany more competitive.

The pension reform is a key step in the government's efforts to create more jobs in Germany.

—By Don Lewis Kirk

London rates down: LIRMA

LONDON—Rates continue to fall across most classes of reinsurance in the London market, though stability in certain lines provides a faint sign that the insurance cycle may be reaching its low point.

Lloyd's of London is seeing a similar trend, with rates down in all four major markets—marine, non-marine, aviation and motor.

While market observers have seen a continuing downward trend in rates, a London International Insurance & Reinsurance Market survey released July 3 offered the first hard data to indicate that rates in the reinsurance market still are falling.

That same day, CBSL Analysis, the research team of members' agency Christie Brockbank Shipton Ltd., published its rate index for the Lloyd's market showing a continued softening of rates. CBSL found marine rates were down by 11% from the end of 1995, non-marine down by 7% and aviation by 3%, and warned that profit margins are becoming "very small" in some lines areas of business.

According to the LIRMA member survey, 70% of property treaties renewed in January saw lower premiums, compared with 63% the previous year. Worldwide retrocessions

were higher, with 72% of treaties dropping in price, while marine premiums fell in 80% of contracts.

LIRMA is interpreting the stability of long-tail casualty reinsurance business as a sign that the market may be bottoming out.

Stephen Riley, chairman of LIRMA's statistics subcommittee, said, "Although the trend in pricing appears to be slightly downward, with conditions softening since 1994, London market reinsurers have clearly been determined to maintain rates wherever possible and to offer reductions only" when justified.

—By Sarah Goddard

Claims rise from IRA bombing

MANCHESTER, England—Estimates of the insured damage to the city center of Manchester, England, as a result of a June 15 Irish Republican Army bombing have risen to £400 million (\$619.8 million).

Initial loss estimates after the blast were about £100 million (\$154.9 million) (BI, June 24).

The figure comes from the London-based Chartered Institute of Loss Adjusters after a survey of its members, who are handling claims.

Property damage claims are proving extensive, but claims for business interruption likely will exceed them, the Institute said.

However, chartered loss adjusters acknowledge that there are several questions remaining before the claims total can be finally calculated.

One of the biggest questions is the future of the £200 million (\$309.9 million) Arndale shopping center, which was in the middle of the blast area.

The Arndale's owners, Peninsula

lar & Oriental Steam Navigation Co., still have to decide whether to redevelop the heavily damaged site.

Individual claims estimates range from £25,000 (\$38,700) for some of the smaller stores or office units up to £60 million (\$93 million) for one major store.

A problem with calculating damages has been that access to the area was severely restricted until recently for security and safety reasons after the bombing.

—By Edwin Unsworth

HIH

Continued from page 17

write workers compensation and provide claims and risk management services to Argentinian employers.

Peter McCarthy, the former head of HIH Winterthur's California workers comp business, HeathCal, which it sold in 1994, will head the new company, to be called HIH Winterthur Interamericana ART.

HIH Winterthur will manage the

new venture, which will be initially capitalized at U.S. \$6 million, Mr. Williams said.

The Argentinian venture is part of HIH Winterthur's plan to diversify globally. "No major Australian insurer can afford to be solely reliant on the domestic market for continuing growth," Mr. Williams said.

HIH Winterthur was formed when Heath International Holdings purchased CIC Insurance Group from Winterthur Swiss Insurance Co. last year (BI, May 1, 1995). **BI**

Services Guide

**FOR 1996 SERVICES GUIDE
ADVERTISING INFORMATION
CALL 312-649-5340**

CPCU® and IIA candidates
I guarantee you will learn more in less time with The Burnham System — or your money back
Ray Burnham, CPCU, CLU, ARM
19 Everett Street Southbridge, MA 01550
Call 1-800-GET-CPCU Now!

Business Insurance's



1996 Tapes Are Available

Three original daily programs include news segments; risk management and employee benefits features; highlights from major conference sessions; interviews with leading corporate and industry executives, RIMS staff, attendees and exhibitors; plus coverage of conference events.

TO ORDER: Dial Kerry Braddick at BI: 212-210-0229

While supplies last.

\$50 for a set of three programs. \$25 for any single day.

Cost includes standard shipping. Pre-payment required. Make checks payable to Business Insurance or charge to Visa, Mastercard, or American Express. Write to Business Insurance, TV'96, 220 E. 42nd Street, New York, NY 10017. Fax your order to Kerry Braddick, TV'96, at 212-210-0704.

For advertising information contact: Cheryl Butler, Classified & Services Guide Advertising, 740 North Rush Street, Chicago, Illinois 60611. Telephone (312) 649-5340 • Fax (312) 649-7799

Hawkins

Continued from page 3
company conference room because she wasn't male.

There also was an early employment rejection by one Weyerhaeuser department because it required travel, and the employees' wives wouldn't like their husbands traveling with a woman. Even before that there were college counselors who tried to push her into teaching, telling her a woman wouldn't make it as an accountant. She persevered and became a certified public accountant, driven in part by her husband's foreshadowing insistence that she earn a degree in case something should happen to him. She was motivated also in part by memories of forgoing a college scholarship because her mother, who worked in an Omaha, Neb., packing house, couldn't afford to send her.

So when she stood up to deliver her incoming president's address, success firmly in hand, more than just pride was welling up inside.

"I don't know if proud is exactly right," she said. "I felt that it was kind of helping to plow some ground for other people. That it gave other people incentives, other women especially."

Ms. Hawkins said she had a lot of support from women who told her they looked to her as an example and were changing the cultures of their companies or professions because she was able to change the culture of hers.

It was indeed a very proud moment for women, recalled Lucille Gallagher, vp of risk management for Greeley, Colo.-based Monfort Inc. Ms. Gallagher served as RIMS president during 1994-1995 and considers Ms. Hawkins a mentor.

Through the years, more women have entered risk management and made professional gains just as they have in other occupations. But introduction of the first female RIMS president definitely shattered a glass ceiling, Ms. Gallagher said.

"Frankly, it used to be an old boys' network," she elaborated. "That's a fact. When I started in risk management in 1978 in our chapter, I was one of two females. I think now it is well over 50% that are women. But there used to be very few women in these positions."

Ms. Hawkins' contributions to risk management stretch beyond her presidency, in part because she was able to master some esoteric risk management areas, such as marine coverage. She did that

by enrolling in a correspondence course in maritime law, sponsored by the American Institute of Marine Underwriters, and taking policies home and poring over them night after night during her early years.

She approached pollution coverage with even more tenacity, spending hours researching Superfund and related environmental issues while compiling notebooks full of information.

"She was more interested in the topic than most risk managers," said Dave Dybdahl, managing director of Willis Corroon Corp.'s environmental risk management services in Nashville, Tenn. "I talk to risk managers about pollution all the time, and she is certainly one of the industry leaders."

Many corporations leave pollution coverage disputes to the legal department, Mr. Dybdahl said. Consequently, risk managers purchase the coverage, but often they

school and starting off in college."

She persevered despite her fears and discouraging advice.

"The counselors at the school tried to convince me that there was not a market for women in accounting and that I should go into teaching," she said. "They gave me something like 'basket weaving for second graders,' and I think I lasted for five days and I went back to the counselor and I said, 'This is not going to work. I have no interest in teaching second grade.' So I hung in with my accounting."

The internship at Weyerhaeuser paid for her last year of studies at the University of Puget Sound in Tacoma, where she earned an accounting degree that later allowed her to become a certified public accountant.

Just months after her hire at Weyerhaeuser she joined the local RIMS chapter, eventually holding several offices, including the pres-

make an overt commitment that regardless of what happened economy and companywise, they would allow me to proceed on through (to the presidency)."

Three or four other women had made it to RIMS' Executive Council, but none stayed long enough to move to the presidency.

"I was determined to go," she said. "Not because of that record, but just because I had that goal for so long. You don't want to go part way in and drop out."

It was about six years after making it onto the Executive Council that she delivered her presidency acceptance speech while standing on the stool. In the interim, her involvement shaped RIMS, including the 1987 RIMS annual conference in Las Vegas, where a conference hotel suggested risk managers were not welcome back because they didn't gamble enough.

Ms. Hawkins likes to take credit for that. She said that as vp in charge of the conference, she helped plan events so attendees would spend much of their time focusing on the lectures and business. That way their employers wouldn't think RIMS is all play.

It was during preparations for that conference that her husband, Bill Hawkins, died of leukemia.

"The thing that kept me going was my RIMS involvement," she said. "That was my diversification of my head. He actually died in February of '87 and the conference was in April, and so I kept going right through. And of course I had a wonderful staff at Weyerhaeuser that was picking up all the slack for me. So I had a RIMS family and a Weyerhaeuser Insurance Department family because as a family, I had only my husband and my one daughter (Cheryl Lockwood) and that was it."

Past RIMS presidents say the involvement soaks up evening hours, weekends, vacation and work time. But Weyerhaeuser and Ms. Hawkins were in for more than most when she became RIMS' leader.

"Being the first woman president there is a novelty about it, which meant that if a chapter wanted you to come speak, they didn't want a second or third representative," she said. "You felt a different sense of responsibility, of complying personally and directly with the requests that came in. What that was doing was creating a year where I was two-thirds of the time out of my department."

And being president didn't mean she was automatically going to get respect everywhere she went on RIMS business. For example, when she visited one country, the risk managers there tried to send her off with their wives, rather than include her in business discussions.

Arriving in another country for a RIMS' sponsored event, hotel clerks refused to give her a room key. They said they were holding it for Mr. Hawkins despite her repeated pleas.

"I had never done this and I have never had to do it since, but I stood back and stamped my foot and I said: 'I am tired. I have been traveling all night. I am the president of RIMS and I want my key,' and I shouted at him," she said.

During her entire stay there she had to say she was Mr. Hawkins when using hotel services. And when a hotel worker brought a complimentary robe to her room for Mr. Hawkins, she once again showed her flexibility.

"I smiled at him and said: 'Thank you. I will give it to him

Ms. Hawkins says many women have told her they were changing their cultures of their companies or professions because she was able to change hers.

are out of the loop when it comes to claims settlement.

Ms. Hawkins took a different tack. She worked closely with Weyerhaeuser's legal representation when the company sued 33 insurers and numerous Lloyd's of London syndicates in 1992 for pollution cleanup costs under primary and excess comprehensive general liability policies.

"She bridged the gap between those departments," Mr. Dybdahl said. "That is pioneering."

Until earlier this year she was chair of RIMS' Environmental Committee and served as a member of a task force assigned to work with the U.S. Environmental Protection Agency on an environmental risk management plan for hazardous waste. She used the posts to exhort colleagues to learn more about pollution liability and coverage.

But her ascension hasn't been without its trials.

She was 32 when she enrolled in a community college to help ease entry into a university that eventually would lead to an internship and her employment at Weyerhaeuser.

"I was scared to death," she said. "It had been a long time between beginning algebra in high

school and forming the Western Regional Conference. Meanwhile, Weyerhaeuser helped lay out her career succession planning that included her goals for RIMS ascension.

Today Ms. Hawkins is quicker to recall Weyerhaeuser's support than any obstacles she had to overcome. She shrugs off her earlier experiences when she was only the third woman manager working for the company. She said the difficulties she encountered back then, such as resistance to her reserving a conference room and rejection from male colleagues, was typical for the time, making it seem less egregious than it was.

"In hindsight it was awful," she said. "But in present time it was just fine. I was very, very pleased with the way things were going, and I was way ahead of my contemporaries by a long shot, and I was no longer a secretary."

Her involvement in the Washington RIMS chapter also paid off. The group nominated her to the national Executive Council three times before she was finally elected in 1984.

"This was a big step," Ms. Hawkins said. "This was the one where (Weyerhaeuser) had to

"Be sure that you return it."

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

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

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

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

| | |
|--|--------|
| USA | \$85 |
| Canada/Mexico | \$105* |
| All other countries by expedited air. | \$205 |

*Price includes Canadian GST.

Business Insurance.

Subscription Dept.
965 E. Jefferson
Detroit, MI 48207
Outside the USA
Call (313) 446-0450

Washington moves to bar two insurers

By ROBERTO CENICEROS

OLYMPIA, Wash.—Insurance Commissioner Deborah Senn has moved to suspend the licenses of two insurance companies that the department deemed are in financial trouble.

However, a cease and desist order issued to Melbourne, Fla.-based United Southern Assurance Co. has been stayed after the insurer requested a hearing that now is set for July 19.

"Pending the hearing, our order is intended to forbid United Southern from selling new or renewal policies in (Washington) until we are confident the company can stand behind them," the insurance commissioner said.

United Southern said the commissioner was seeking an increase in the company's capital and surplus, to a total of \$6 million.

The insurer's capital and surplus currently totals \$5.2 million.

Treasurer/Controller Bismarck Betanco said the insurance company is working with Ms. Senn and expects to improve its underwriting results for 1996 after a difficult year last year.

United Southern, which writes property/casualty insurance coverages mainly for the commercial trucking industry, wrote \$1.3 million in premiums in Washington state alone last year and about \$43.5 million in direct premiums nationwide.

Additionally, on June 17, the commissioner announced that she was suspending the license of Lewiston, Idaho-based Universe Life Insurance Co.

Ms. Senn said Universe Life reported writing \$181,000 in group health insurance premiums in Washington state during 1995.

A spokeswoman for Universe Life said the insurance company filed for rehabilitation in March with the Idaho Department of Insurance and ceased underwriting individual and group health coverage before doing so.

Existing business is being taken up by larger insurers, the spokeswoman said.

ADVERTISER

INDEX

Issue of July 15

| ADVERTISER | PAGE # |
|------------------------|----------|
| AIG Corporate | 5 |
| American Dental Assn. | 9 |
| Arkwright Insurance | 6 |
| Burnham Systems | 19 |
| Business Insurance | 10-11,13 |
| Carvill America, Inc. | 12 |
| Reliance National | 24 |
| Ward-THG | 4 |
| Winterthur Reinsurance | 14 |
| World Captive Forum | 7 |

Lloyd's

Continued from page 1
past problems."

Lloyd's emphasized that the additional 20% credit being offered to U.S. names would not mean any reduction in the debt credits available to other names under the market's £3.1 billion (\$4.81 billion) settlement offer. Nevertheless, the U.S. offer met with mixed reactions.

Christopher Stockwell, chairman of the Lloyd's Names Assn. Working Party, a hardline group that has threatened to bring new litigation against Lloyd's alleging fraud, complained that the agreement represents "a substantially better deal for the U.S. names at the expense of Equitas and the future market."

Equitas is the reinsurance company at the center of the R&R plan that, if the plan is approved, will take on the liabilities for underwriting losses suffered by names for 1992 and prior years.

However, the more moderate Assn. of Lloyd's Members welcomed the offer to U.S. names.

"This deal removes the last major threat to R&R," said ALM Chairman Sir David Berriman. He added that the ALM stressed to state securities regulators who visited London recently that there should be no impediment to U.S. names accepting the R&R offer. Sir David said he was "delighted that there will now be no bar to their doing so."

However, while the deal would block litigation filed by state securities regulators, it does not prevent U.S. names from continuing legal action against Lloyd's.

A group of 50 U.S. names is suing Lloyd's and Equitas in federal court in Richmond, Va., seeking to

prevent Lloyd's from forcing them to accept the reconstruction proposal. They also allege that participation in Lloyd's and Equitas should be registered as a security.

In addition to the possible deal with U.S. regulators, Lloyd's last week won support for the R&R plan's settlement offer from a key group of names.

Leaders of the Gooda Walker Action Group said last week they would recommend unanimous backing of the offer to members. While the value of the settlement offer to Gooda Walker names represents about 74% of their losses, this is still more than they could realistically expect to recover through the courts.

tion groups. The EGM was called for names to vote on four resolutions that essentially call on Lloyd's to improve its £3.1 billion settlement offer to names. In particular, the resolutions call for more contributions to the settlement from underwriting agents and auditors.

The Lloyd's Council has urged names to vote against all the EGM resolutions.

Mr. Rowland has repeatedly stressed to names that while the offer may not be fair to all of the affected 34,000 names, it is the best that can be achieved for the good of the market and to ensure continued trading at Lloyd's. "The world is not a fair place in the sense that

The combination of profitable results, agreement with U.S. regulators and Gooda Walker names' endorsement of the R&R plan bode well for the meeting, an analyst says.

An insurance analyst who asked not to be named said last week that the combination of profitable 1993 results, the agreement with U.S. regulators, endorsement of R&R by the Gooda Walker Names, and expectations of at least two more years of strong profitability all bode well for today's so-called ordinary general meeting.

The highlight of the OGM will be a vote on a resolution that calls on names who underwrote in the market in 1993, 1994 and 1995 to make a £440 million (\$682 million) special contribution to Lloyd's Central Fund as part of the R&R plan.

The OGM will be followed by an extraordinary general meeting that was called by certain member ac-

we've got to use the resources we've got," he said.

However, when announcing Lloyd's results on Friday, Mr. Rowland was "confident" that the recovery plan would win market approval and go ahead. "All the signs are at the moment extremely favorable," he said, referring to last week's developments, member opinion polls and recent meetings.

If, however, those signs prove wrong and the R&R plan fails, Mr. Rowland said he would submit his resignation to the Lloyd's Council. "If this fails, there isn't some other magical deal around the corner. I would not stay one instant longer than anyone wanted me to, but you don't run away either." **BI**

Bertha

Continued from page 1

the U.S. Virgin Islands, St. Martin and Florida.

At her most furious, Bertha was a Category 3 hurricane lashing the Caribbean with reported wind speeds of up to 115 mph extending 145 miles out from the eye of the storm.

In the Virgin Islands—especially in St. Thomas—some residents and business were caught while rebuilding from Hurricane Marilyn 10 months ago, which

were reported in the agency's St. Croix office and only 20 wind-storm claims were filed in Marshall & Sterling's St. Thomas office.

"We expected far more damage than this," Mr. O'Shea said. He partially attributed the lack of substantial property damages to buildings and homes being rebuilt to withstand hurricane winds, subsequent to Hurricanes Hugo and Marilyn.

"Most of the claims filed involved properties that were not fully restored" from the damage caused by Hurricane Marilyn, he

the Turks and Caicos Islands also braced for Hurricane Bertha, but also came out relatively unscathed.

"We really didn't have much damage," said Ross Blumentritt, resident managing director for Aberdeen Insurance Managers (Turks & Caicos) Ltd. in Grand Turk, located roughly 500 miles northwest of the Virgin Islands. There were some windows blown out, some water damage and some trees damaged, but overall, "we were very lucky," he said.

"We had winds of about 70 miles per hour, but (the storm) veered away at the last minute," he said.

Indeed, Hurricane Bertha also veered away from Puerto Rico earlier in the week, sparing the island from substantial structural damage. The storm, however, is blamed for four deaths in the area.

"Thank God it veered north," said Eduardo J. Chevres, president of Sedgwick James of Puerto Rico, of Hurricane Bertha. "The damage was minimal or nothing at all."

"Again, like in the case of (Hurricanes) Marilyn and Luis, it came very close to the island, 100 miles or less, and then went north of the island, but not through it," Mr. Chevres said. "We were once again very, very fortunate."

Indeed, it was only 10 months ago that Hurricane Luis, ripped through the Caribbean wreaking havoc on several of the Leeward Islands.

The small islands of Antigua, Barbuda, Anguilla, St. Barthelemy and both sides of St. Martin/St. Maarten were hit the hardest by the Category 3 storm (BI, Sept. 11, 1995). **BI**

Lloyd's '93 profit ends loss streak

By EDWIN UNSWORTH

LONDON—As expected, Lloyd's of London is back in the black.

Lloyd's on Friday reported a 1993 global profit of £225 million (\$349.4 million) for the 1993 underwriting year, which closed Dec. 31, 1995, under the market's three-year accounting system. That was a dramatic improvement from a global 1992 loss of £1.19 billion (\$1.87 billion), which capped a five-year string of losses totaling almost £8 billion (\$12.56 billion) (BI, May 29, 1995).

The 1993 pretax results reflect an £822 million (\$1.28 billion) allocation to reserves, compared with an £836 million (\$1.31 billion) allocation in 1992. The figures also have been adjusted to reduce "double counting," which arises when members who have underwriting losses on certain syndicates try to cover those losses by making claims on personal stop-loss and underwriting agents' errors and omissions policies.

The "pure year" underwriting profit for 1993, which excludes additions to reserves, is a record £1.08 billion (\$1.68 billion), up from a pure-year loss of £358 million (\$560 million) in 1992. Those figures include deductions for members' expenses, mainly profit commissions paid to agents, as well as a proposed special contribution to Lloyd's reconstruction and renewal plan.

Lloyd's projects that its pure-year profit for 1994, which will be reported next summer, will be £1.01 billion (\$1.56 billion) while 1995 profits are projected to be £882 million (\$1.37 billion).

Lloyd's Chief Executive Ron Sandler said 1993 to 1995 account years are on target to become the three most profitable years in the market's history.

Lloyd's Chairman David Rowland attributed the big turnaround in 1993 to firmer rates, combined with a low incidence of major catastrophes. He also said that "the great majority of our clients have maintained their relationship with the market" despite all its problems.

However, Lloyd's noted that the results have been prepared on the basis that the reconstruction and renewal plan will be implemented and that Equitas, the company being set up to reinsure 1992 and prior-year underwriting losses, will be unconditionally authorized during 1996.

If the R&R plan does not proceed, the proposed reinsurance of prior years into Equitas and the reinsurance to close for 1993 may not take effect, resulting in a new wave of open syndicate years.

Assuming the R&R plan is approved, though, Mr. Sandler said the security underlying Lloyd's insurance policies will increase strongly. Lloyd's net resources, not including syndicate reserves, are estimated to have increased substantially to 71% of liabilities at year-end 1995, compared with 32% at the end of 1994.

"This puts Lloyd's very much at the forefront of insurers' security and augurs well for the future," he said.

These security figures are based on Lloyd's total declared resources at the end of 1995 of £12.42 billion (\$19.26 billion), which comes from

such sources as premium trust funds, funds held at Lloyd's and the Central Fund. While this is sharply down from year-end 1994 resources of £27 billion (\$42.26 billion), 1995's £7.25 billion (\$11.34 billion) provision for liabilities was much less than the £20.37 billion (\$31.93 billion) provision in 1994.

This left net resources at the end of 1995 of £5.17 billion (\$8.1 billion), against £6.59 billion (\$10.33 billion) at the end of 1994, resulting in the much-improved ratio of resources to liabilities.

Results for 1993 by market segment included:

- Marine syndicates posted a pure-year profit of £526 million (\$816.9 million) on net premiums of £1.4 billion (\$2.17 billion), well up from a 1992 profit of £148 million (\$231.6 million) on net premiums of £1.38 billion (\$2.16 billion).

The recovery in marine market conditions, which began in 1992, continued in 1993 as underwriters increased both rates and deductibles. This, combined with a lack of major marine catastrophes, enabled the majority of marine syndicates to record healthy profits. Rates continued to rise for most of 1994, though they peaked toward the end of the year and began to soften in 1995.

- Non-marine syndicates posted a 1993 profit of £881 million (£1.37 billion) on net premiums of £3.05 billion (\$4.77 billion), markedly better than a 1992 loss of £201 million (\$314.6 million) on net premiums of £3.51 billion (\$5.49 billion).

Most non-marine classes experienced a strong market throughout 1993, particularly the property catastrophe reinsurance sector, where rates rose dramatically and underwriting terms and conditions improved on a worldwide basis. There were only four major catastrophes in 1993, compared with 16 in 1992. In 1994, most non-marine rates either remained static or fell, though they continued rising in catastrophe-prone areas of the United States.

Non-marine underwriters expect a good profit in 1994, despite lower capacity utilization. Early indications for 1995 are also positive, despite a less favorable rating environment and losses from Caribbean hurricanes.

- Aviation syndicates also dramatically improved their results, achieving a 1993 profit of £138 million (\$214.3 million) on net premiums of £457 million (\$709.7 million), against a 1992 profit of £14 million (\$21.9 million) on £446 million (\$698 million) of net premiums. The improvement came on the back of continued rate increases and a comparatively low level of aviation losses. However, in 1994 airline and aerospace losses were particularly heavy, though continued modest rate rises throughout the year are expected to keep the market profitable. Prospects should improve in 1995, after a significantly lower incidence of airline and space losses.

- Motor account profits rose to £175 million (\$271.8 million) on net premiums of £988 million (£1.53 billion), compared with a 1992 profit of £125 million (\$195.6 million) on premiums of £977 million (\$1.53 billion). In 1994 and 1995 motor rates fell as a result mainly of competition from direct insurers.

'Thank God it veered north,' says Eduardo J. Chevres, president of Sedgwick James of Puerto Rico, of Hurricane Bertha. 'The damage was minimal or nothing at all.'

caused an estimated \$875 million in insured property damage (BI, Sept. 25, 1995).

Marilyn, a Category 2 hurricane, unleashed 105 mph sustained winds on the U.S. Virgin Islands and part of Puerto Rico destroying 25% of St. Thomas' buildings and severely damaging another 50%, according to the Federal Emergency Management Agency in Washington.

"We've had very few claims reported" from Hurricane Bertha, said John O'Shea, president of Poughkeepsie, N.Y.-based Marshall & Sterling Enterprises Inc., which operates one of the largest insurance agencies in the U.S. Virgin Islands.

As of late last week, no claims

said.

There was some damage, but it "was not as extensive as (Hurricane) Marilyn," echoed Cathy Dorset, the office manager for Johnson & Higgins (USVI) Ltd. in St. Thomas.

There were lots of homes not fully repaired from Hurricane Marilyn and those people lost the tarps that were acting as makeshift roofs, she said.

"The people who could be prepared were, but those with tarps, there was nothing they could do. Tarps are not made to withstand wind speeds up to 80 to 90 miles per hour," Ms. Dorset said.

After causing minimal damage to the Virgin Islands, residents and businesses in Puerto Rico and

Pension bill

Continued from page 2 including MSAs in the health reform bill.

A spokesman for Sen. Nickles said late last week that the senator will not budge on the minimum wage measure until Sen. Kennedy drops his opposition to the naming of a conference committee on the health reform legislation.

This legislative standoff threatens the future of modest pension simplification initiatives.

The provisions face no serious opposition, noted Henry Saveth, a principal with A. Foster Higgins & Co. Inc., in New York. Yet pension simplification efforts have been stymied three times before because the provisions were tacked onto legislation that for various reasons was unacceptable first to former President Bush and then President Clinton.

"We again have a reasonable shot at it, the problem is the bill seems to be almost jinxed," said Mr. Saveth.

He added that the provisions do not constitute "dyed in the wool pension simplification." The importance of the initiatives, he said, is that they move toward pension simplification. "This is a change from previous legislation, which always seemed to be going in the opposite direction, which was toward increased complexity," he said.

Mark Ugoretz, president of the Washington-based ERISA Industry Committee, a business lobbying group, predicted that failure to enact the legislation would put Congress "in a lot of trouble" with the voters. Like health care reform, pension legislation is something that both touches voters lives and that they understand, he said.

Among the more important pension and benefit reforms contained in both versions of the legislation are proposals that would:

- Simplify the general definition of "highly compensated" employees for non-discrimination testing purposes to those earning \$80,000 a year or owning at least 5% of a company. The threshold would be indexed for inflation.

- Current law offers a variety of definitions, including one that sets an annual salary of \$66,000 as the cutoff point. The proposed change would make more employees eligible to make the maximum contribution to a 401(k) plan because they would no longer be considered highly compensated for non-discrimination testing purposes.

- Extend the right to establish 401(k) plans to tax-exempt organizations. Such organizations lost that right under a 1986 tax reform law.

- Change prior-year testing rules. This optional procedure would allow employers running 401(k) non-discrimination tests to compare deferrals made by low-paid employees during the previous year to contributions made by high-paid employees during the current year. Internal Revenue Services rules now require comparisons of current-year contributions. That means that if lower-paid employees put in less than projected, employers might have to cut back on higher-paid employees' contributions at midyear to avoid violating non-discrimination rules.

- Create safe harbors for 401(k) plans by allowing employers that match 100% of employees' contributions on the first 3% of compensation and 50% of contributions between 3% and 5% of employees' compensation to forego conducting non-discrimination tests.

- Subject multiemployer plans to the same vesting schedules that single-employer pension plans now use. Multiemployer plans can currently use 10-year vesting, single-employer plans typically use five-year cliff vesting for defined benefit plans and seven-year graded schedules for defined contribution plans.

- Retroactively renew Section 127—the now expired section of the Internal Revenue Code that allowed employers to reimburse employees on a tax-free basis up to an annual limit of \$5,250. The section expired on Dec. 31, 1994, and the legislation would extend it through the end of next year.

- Call for a temporary lifting of the current 15% excise tax on annual retirement plan distributions of more than \$155,000. The House bill would end the break in 1999, the Senate a year later. This could encourage certain employees to take early retirement to avoid the tax.

The Senate added its own amendments.

One would simplify church pension plans and another would set alternative non-discrimination rules for plans that provide for early participants—those under the age of 21—though that change would not take effect until 1999.

Another amendment would extend the Pension Benefit Guaranty Corp.'s missing participant program, which locates participants due benefits from underfunded defined benefit plans (BI, Dec. 4, 1995), to include participants of underfunded multi-employer plans.

The Senate declined, however, to follow the House's lead by subjecting tax-exempt organizations that are shareholders offshore captive insurers with new taxes on the earnings of those captives (BI, May 27). ■

ERIC

Continued from page 1 but ineffective approaches to expand coverage.

The committee's chairman made clear during a discussion of the paper late last week that action on the paper's recommendations should not be postponed. Daniel P. O'Connell, corporate director-employee benefits and human resources systems for United Technologies Corp. in Hartford, Conn., noted that baby boomers will begin retiring within 15 years, even as the nation faces other economic challenges. "The time for action is now," he said.

While noting that the federal government historically has followed policies that encourage private pension plans, the document holds that "in recent years, however, the adoption of narrowly focused statutes and regulations has damaged the success of the employer-sponsored retirement plan system. The federal government has failed to provide cohesive long-term retirement policies, including a long-term policy for Social Security benefits. It has diverted billions of dollars from retirement savings to near-term federal spending."

The document says the federal government has issued rules that: increase the costs of sponsoring plans; restrict benefits that can be provided from such plans; hamper the ability of employers to develop flexible plans to address changing business circumstances; and constrain the ability of employers to fund for the long-term.

"At the same time, the federal government has enacted short-term funding requirements for defined benefit pension plans that impose erratic demands on the employer's cash. As a consequence, plan expansion has been curtailed, and employers more frequently question the fea-

sibility of providing retirement plans for employees as opposed to other forms of compensation. This is particularly true for defined benefit plans," according to that paper.

Without swift action, "many workers will see their retirement expectations wither and will be forced to rely more on government programs that are themselves financially overextended," the paper's authors predict. A continuance of what the authors regard as "overregulation" will harm employees and hamper U.S. companies' ability to compete globally, says the paper. National investment also will suffer, they say.

As a road map to reform, the document puts forth four "principles for action" followed by three specific action strategies collectively containing 30 specific actions.

The four principles are: provide stable rules that encourage the voluntary creation and maintenance of soundly financed employer-sponsored plans; maintain efficient means for individuals to acquire adequate retirement income; support the dynamic needs of employers; and encourage capital formation.

The three strategies are: reinvigorate the government's commitment to voluntary, employment-based programs; oppose restrictive government rules; and educate the American worker.

A repeated theme throughout the 30 recommended actions to promote those strategies is flexibility. For example, the paper calls for the reduction or elimination of "restrictive" dollar limits on contributions to and benefits from tax-qualified plans. This action would give employers greater opportunity to fund benefit obligations in advance and would allow employees a greater ability to increase their retirement savings, according to the paper.

The paper also calls for greater opportunity to use technology to meet government requirements. "The gov-

ernment should make a concerted effort to eliminate obsolete requirements for written documents and to provide instead for paperless plan administration for administrative transactions such as securing consent forms and processing plan distributions and loans."

Greater use of technology also emerges as an issue in the section devoted to worker education. The paper points out that "detailed paper descriptions" often go unread and are likely to be read even less in the future. "Modern computer and telephone response systems are far superior in providing accurate, understandable information," according to the paper.

The ERIC paper advocates eliminating plan disqualification as a sanction for minor infractions, noting that "federal rules regarding the operation of pension plans have grown so complex and, in some instances, contradictory that it is impossible to operate a plan in total compliance with the law at all times. Yet the only formal legal sanction for even the most minor violation of the tax qualification rules is plan disqualification."

ERIC also recommends that the definitions of "employer" and "retirement" be made more flexible to reflect changes in business organization and work arrangements. Regulations in general should be set that reflect the sizes of employees.

"A rule that might be appropriate or necessary for an employer with five employees might not be appropriate or necessary for a diversified multinational employer with 50,000 employees."

Single copies of "Getting the Job Done" cost \$25 and can be ordered by contacting the ERISA Industry Committee, 1400 L St. N.W., Suite 350, Washington, D.C., 20005-3509; 202-789-1400; Fax 202-789-1120; email: eric@eric.org.

Updates

Love Canal cleanup settlement

Continued from page 2

Late last month, Occidental reached a confidential settlement agreement for Love Canal cleanup costs with Lloyd's of London syndicates (BI, July 1).

The chemical company's coverage dispute with its insurers dates back to 1980. Love Canal was polluted in the 1940s and 1950s by Hooker Chemical Corp., which Occidental bought in 1968. The cleanup costs are expected to be in the hundreds of millions of dollars. Occidental had \$320 million in liability insurance between 1963 and 1979 (BI, Jan. 21, 1980).

EMLICO documents submitted

HAMILTON, Bermuda—Kemper Reinsurance Co. has submitted two hotly contested sealed documents to a Bermuda judge hearing its challenge to the liquidation petition filed by Electric Mutual Liability Insurance Co.

A Massachusetts judge last week allowed Kemper Re to submit the documents, which the state court had placed under a limited seal at EMLICO's request. They are a flowchart describing the steps that would have been taken in a Massachusetts liquidation of EMLICO and a 1994 memo prepared by EMLICO lawyers citing the advantages of a Bermuda runoff of the insurer's huge General Electric Co. pollution and asbestos liabilities (BI, July 1; April 29).

Kemper Re says the documents support its charge that EMLICO fraudulently concealed its insolvency and liquidation plans to get regulatory approval for its 1995 move to Bermuda.

The reinsurer sought permission to use the documents after charging that EMLICO has misled the Bermuda court about their contents and that former EMLICO President David St. Laurent lied in an affidavit about the contents of the flowchart.

EMLICO denies any misrepresentation and has argued that the documents merely represented contingency planning by EMLICO and not "knowledge of insolvency" or a "settled plan" to liquidate in Bermuda.

"There is nothing sinister or surprising about them whatsoever," said Elizabeth Gloster, a lawyer representing EMLICO's provisional liquidators in Bermuda.

Bermuda Judge Richard Ground heard arguments about the documents in several hours of closed hearings last week. Hearings on the EMLICO liquidation petition are expected to wrap up this week, after which Judge Ground will rule on Kemper Re's request to dismiss the liquidation petition or delay it pending a trial of its fraud allegations.

Separate hearings relating to a judicial review of Bermuda government orders allowing EMLICO into the country have been postponed until later this year.

Calif. orders out viatical firm

WASHINGTON—The California Department of Insurance has ordered Waco, Texas-based Life Partners Inc., a viatical settlement firm, to stop doing business in the state, though the firm denies it was doing so.

Viatical settlement firms arrange to pay terminally ill patients a discounted cash settlement for their life insurance policies so they can have the money available when they are still alive. The policies are resold to investors, whose profits are the difference between that discounted amount and the full settlement received when the patient eventually dies, less certain expenses.

According to the California Insurance Department, the company has solicited, advertised and issued viatical settlement contracts in California since at least 1994 without seeking or receiving authority from the state to do so. However, Life Partner Chairman Brian Pardo labeled the Insurance Department's action a "cheap shot" and said it does not do business in the state.

Separately, on July 5 a federal appeals court in Washington, D.C., overturned a lower court and ruled in Life Partner's favor, stating that shares in viatical settlements marketed by Life Partners are not securities and as such are not subject to federal securities laws. The case was brought by the Securities and Exchange Commission, which had sued the firm for alleged registration and disclosure violations.

Briefly noted

Hawaii Gov. Benjamin J. Cayetano has signed legislation, effective immediately, allowing pure captives to underwrite the risks of policyholders who have a **working relationship with the captive's parent** (BI, April 22, 1996). Previously, captives could only write coverage for affiliates if both entities shared corporate ties, common ownership, control or management. . . . Board members of the non-profit **National Council on Compensation Insurance** reached no decision last week on whether to change to a for-profit corporate structure, though they asked staff members to provide more details at their next meeting in October. . . . The judge overseeing **Dow Corning Corp.**'s bankruptcy proceedings in Bay City, Mich., has approved settlements the company reached with several insurance companies totaling more than \$185 million. . . . **Jo Ann Emerson** is seeking the congressional seat formerly held by her late husband, Rep. Bill Emerson, R-Mo. Ms. Emerson was senior vp-public affairs for the American Insurance Assn. in Washington until she announced her candidacy for the Eighth District seat last week. Ms. Emerson must run as an independent, because the deadline for filing to run in Missouri's Republican primary has passed. . . . The House of Representatives last week narrowly defeated an attempt to forbid the Occupational Safety and Health Administration from setting or issuing standards on **repetitive stress injuries**. The measure, added as a rider to a spending bill for labor, health and education programs by Rep. Henry Bonilla, R-Texas, would have prohibited OSHA from even researching such injuries.

Sedgwick Re forms financial venture

CHICAGO—Sedgwick Re Insurance Strategy Inc. and Lane Financial Inc. have formed a joint venture, Sedgwick Lane Financial L.L.C., to identify and develop capital market products for securitizing insurance and reinsurance risks.

Morton N. Lane has been named president of the new Chicago-based venture.

As a licensed securities broker-dealer, Sedgwick Lane Financial will be able to implement alternative risk transactions and advise on the capital markets available worldwide.

For more information, call 212-312-4200.

New Ward-THG division

SAN DIEGO—Ward-THG Inc. has formed a new specialty risk division that will augment the claims management and field adjusting services Ward-THG provides insurers, reinsurers and self-insurers.

The new division, which will be led by Craig Bowlus and Kevin Thar, also will accelerate the company's movement into the construction, product liability and professional liability areas and will offer runoff and auditing services.

Ward-THG, formerly a division of Thomas Howell Group, is expanding its network of 125 offices. For more information, call 619-557-2777.

Willis Corroon to sell unit

NASHVILLE, Tenn.—Willis Corroon Corp. has agreed to sell Nashville-based Consumer Benefit Life Insurance Co. to Gerling Global U.S. Investments Inc. for \$32.3 million cash. The sale is expected to be completed during the third quarter, with Willis Corroon using the cash for general corporate purposes.

Willis Corroon Corp. is the principal U.S. subsidiary of Willis Corroon Group P.L.C. The company said the sale continues its efforts to redirect resources from peripheral activities to core operations. The sale agreement follows Willis Corroon Group's withdrawal from property/casualty underwriting in 1995.

Partner for health care

BRENTWOOD, Tenn.—A new company, Providers' Assurance Corp., has been formed to establish insurance partnerships with health care provider organizations to deliver workers compensation insurance to local employers around the country.

Brentwood, Tenn.-based Providers' Assurance will offer the underwriting, marketing and managed care expertise necessary to enable providers to participate in risk-based reimbursement arrangements.

Markets

Principals of the new company include: John F. Tomlin, chairman; David S. Iskove, CEO; Mark Benson, president; Dr. Edward Bernacki, chairman of the medical advisory committee; Luke Gilleran, executive vp; and Vickie Humphreys, vp.

Providers' Assurance will target local employers with up to 150 employees. For more information, call 615-371-5443.

Gallagher acquisitions

ITASCA, Ill.—Arthur J. Gallagher & Co. has acquired Lamberson Koster & Co. of San Francisco. Terms of the transaction were not disclosed.

Lamberson Koster was founded in 1992 as an insurance and surety bonding brokerage service firm. Today it offers risk management services and all lines of commercial and suretyship insurance products for the construction industry.

The company's staff of 27 will continue to operate as Lamberson Koster & Co. under the direction of John R. Lamberson.

Itasca-based Gallagher also has acquired Alliance Insurance Group Inc. of Phoenix, a regional brokerage established in 1923 marketing all lines of commercial, personal, life, health and disability insurance products.

Alliance Insurance Group specializes in property/casualty insurance programs for clients such as manufactured housing parks and dealers, recreational vehicle parks and campgrounds, motorcyclists, trade contractors and property managers.

Alliance's 40-employee staff will continue to operate as Alliance Insurance Group under the direction of Guy L. Labelle, area president. Terms of the acquisition were not disclosed.

Doctors' network sold

SAN DIEGO—FPA Medical Management Inc. has acquired Physicians First Inc. from Miami-based Physician Corp. of America. PFI is a network of 125 physicians serving about 90,000 HMO members in Florida.

San Diego-based FPA acquired Physicians First for approximately \$23 million in cash, common stock, warrants and notes with an additional \$2 million to be based on PCA adding enrollees to the FPA network.

After the acquisition the PFI network was renamed Family First Medical Centers Inc.

EPL rating basis revised

ALEXANDRIA, Va.—The Independent Insurance Agents of America and Employers Reinsurance Corp. have revised the rating basis of their employment practices and discrimination liability policy, making the product more competitive in the marketplace and giving IAA members the opportunity to sell the EPL product to business owners.

The product previously had been available only to agencies.

The policy insures business owners for damages stemming from a variety of employment practices, including sexual harassment, wrongful termination and wrongful deprivation of career opportunity.

The IAA/ERC policy currently is available in 35 states.

Reliance National in Sweden

NEW YORK—Reliance National has opened a branch office in Stockholm, Sweden. The Reliance National Insurance Co. (U.K.) Ltd., Filial I Sverige office will serve as Reliance's regional office for Sweden, Norway, Denmark, Finland and the Baltic states.

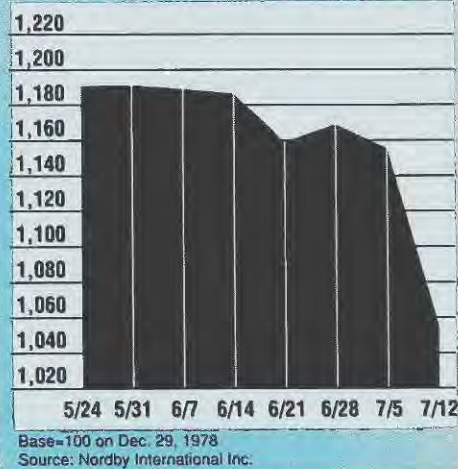
Georg Silfversvard will be general manager of the Swedish operation; Christer Whalrud will be assistant general manager and will be responsible for business in the region.

Reliance National Insurance Co. (U.K.) Ltd., Filial I Sverige is located at: Ynglingagatan 14, Box 230 90, S-10435 Stockholm, Sweden; 468-342-165, fax: 468-342-169.

Information in brief

Near North Insurance Brokerage Inc. has relocated its Los Angeles office to 1840 Century Park East, Suite 1100, Los Angeles, Calif. 90067; 310-556-1900, fax: 310-556-4702. . . Willis Corroon Corp. of Michigan has moved to 1 Towne Square, Suite 800, Southfield, Mich. 48076. The new mailing address is P.O. Box 5104, Southfield, Mich. 48086-5104; 810-358-0288, fax: 810-386-0500. . . Workers comp managed care provider ManagedComp Inc. has opened its third Texas office, a full-service office in San Antonio. The office is located at 1100 Northwest Loop 410, Suite 782, San Antonio, Texas 78230-4736; 800-336-3949. . . USA Risk Group, a captive manager, has moved its District of Columbia area office to 1575 I St. N.W., Suite 230, Washington, D.C. 20005; 202-789-1776, fax: 202-789-5458.

BI Insurance Index



PCS catastrophe options

| As of July 12 | | | |
|--|---------------|-----------------------------|---------------|
| Call spread | Price bid/ask | Call spread | Price bid/ask |
| Eastern September 1996 | | | |
| 40/60 | 4.5/4.9 | California Annual | |
| 50/70 | 3/- | 40/60 | 8/1.6 |
| 80/100 | 2.5/4 | 80/100 | 5/1.4 |
| Southeast Sept. 1996 | | | |
| 40/60 | 2.5/4.6 | Western Annual | |
| 80/100 | 1.6/3.5 | 40/60 | 1/2 |
| Texas Sept. 1996 | | | |
| 40/60 | 1.2/2.2 | Northeast Sept. 1996 | |
| 80/100 | .5/2 | 40/60 | 1/1.6 |
| | | 80/100 | .6/2 |
| Total volume: 420 Total open interest: 3,919 | | | |
| For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674. | | | |
| Source: Chicago Board of Trade | | | |

British Issues

| July 11 Companies | Price pence | P/E | Div. pence | Yield % | 1 week high-low |
|------------------------------|-------------|------|------------|---------|-----------------|
| Comml Union | 569 | 10.9 | 35.3 | 6.2 | 569-563 |
| Genl Accident | 640 | 9.6 | 38.8 | 6.1 | 642-635 |
| Gdn Royal Exch | 238 | 8.8 | 11.3 | 4.7 | 244-236 |
| Independent | 463 | 8.7 | 14.1 | 3.0 | 463-461 |
| Royal | 404 | 7.6 | 20.0 | 5.0 | 408-402 |
| Sun Alliance | 377 | 8.6 | 21.6 | 5.7 | 383-375 |
| Brokers | | | | | |
| Bradstock | 72 | 12.0 | 7.1 | 9.9 | 72-71 |
| Fenchurch | 99 | 6.6 | 10.6 | 10.7 | 99-98 |
| CE Heath | 91 | 10.7 | 6.3 | 6.9 | 94-91 |
| JIB Group | 114 | 11.3 | 9.4 | 8.2 | 114-114 |
| Lloyd Thompson | 182 | 11.1 | 11.3 | 6.2 | 182-182 |
| Lowndes Lmbrt | 136 | 8.9 | 10.5 | 7.7 | 136-136 |
| Nelson Hurst | 193 | 11.8 | 9.8 | 5.1 | 196-193 |
| Sedgwick Grp | 130 | 10.2 | 8.1 | 6.2 | 134-130 |
| Steel Bri Jones | 41 | 5.3 | 5.6 | 13.7 | 41-41 |
| Willis Corroon | 146 | 13.2 | 8.3 | 5.7 | 150-146 |
| Source: Philip Olsan, London | | | | | |

BI Industry Stock Report JULY 8, 1996, THROUGH JULY 12, 1996

| BROKERS | Price | Weekly % change | Year to date % change | Year to date | | Vol.(000) | Company | Price | Weekly % change | Year to date % change | Year to date | | Vol.(000) | Company | Price | Weekly % change | Year to date % change | Year to date | | Vol.(000) | | | |
|---------------------------|-------|-----------------|-----------------------|--------------|--------|-----------|---------|---------------------------|-----------------|-----------------------|--------------|--------|-----------|---------|-------|-----------------------------|-----------------------|--------------|-------|-----------|-------|-------|------|
| | | | | High | Low | | | | | | High | Low | | | | | | High | Low | | | | |
| Acordia Inc. | NYS | 32.375 | -2.63 | 8.82 | 33.75 | 23.50 | 4 | Everest Reinsurance | NYS | 24.5 | -0.51 | 4.81 | 26.50 | 18.50 | 402 | SAFECO Corp. | NDO | 33.125 | -3.28 | -3.99 | 39.75 | 28.25 | 1061 |
| Alexander & Alexander | NYS | 18.25 | -5.81 | -3.95 | 25.50 | 17.88 | 352 | Executive Risk Inc. | NYS | 34.875 | -2.76 | 20.26 | 38.25 | 18.38 | 72 | Seibels Bruce Group | NDO | 2.4375 | -4.88 | 62.50 | 4.25 | 0.44 | 66 |
| E.W. Blanch Holdings Inc. | NYS | 18.875 | -4.43 | -19.25 | 25.50 | 16.50 | 92 | EXEL Ltd. | NYS | 66.5 | -6.01 | 9.24 | 73.63 | 51.75 | 484 | Selective Ins. Group | NDO | 32.75 | -0.38 | -7.75 | 38.75 | 30.75 | 57 |
| Gallagher Arthur J. & Co. | NYS | 31.875 | 0.39 | -14.43 | 39.50 | 30.00 | 65 | Fremont General Corp. | NYS | 22.5 | -2.17 | -8.16 | 26.25 | 16.38 | 259 | Sphere Drake Holdings | NYS | 10 | -2.44 | -28.57 | 19.13 | 9.75 | 29 |
| Hibb, Rogal & Hamilton | NYS | 12.625 | -6.48 | -5.61 | 14.38 | 12.13 | 33 | Frontier Insurance Group | NYS | 33.375 | 1.14 | 4.30 | 38.00 | 25.25 | 111 | TIG Holdings | NYS | 28 | -5.08 | -1.75 | 34.25 | 22.25 | 821 |
| Kaye Group Inc. | NDO | 5.375 | -12.24 | -32.81 | 9.25 | 5.38 | 72 | Geinsco Inc. | ASE | 10 | 0.63 | -12.09 | 12.38 | 8.31 | 307 | Titan Holdings, Inc. | NYS | 14.625 | -1.68 | 1.74 | 16.63 | 11.75 | 11 |
| Marsh & McLennan | NYS | 92.125 | -3.03 | 3.80 | 101.63 | 76.63 | 923 | GCE Holding Ltd. | NDO | 23.375 | -11.79 | NA | 27.25 | 19.75 | 132 | Tokio Marine & Fire | NDO | 61.25 | -5.77 | -7.20 | 69.25 | 50.88 | 9 |
| Marshall & Brown | NDO | 24.25 | -3.00 | -2.51 | 25.50 | 22.75 | 14 | General RE Corp. | NYS | 150.5 | 0.50 | -2.90 | 158.25 | 129.50 | 1255 | Torchmark Corp. | NYS | 41.125 | -0.90 | -9.12 | 49.88 | 38.00 | 541 |
| BROKERS AVERAGE | | | -4.7 | -8.2 | | | | Gryphon Holdings | NDO | 14.875 | 1.71 | -22.73 | 20.25 | 14.38 | 23 | Transatlantic Holdings | NYS | 67.25 | -1.82 | -8.35 | 75.25 | 62.38 | 150 |
| | | | | | | | | Guaranty National Corp. | NYS | 15 | -5.51 | -2.44 | 19.00 | 13.38 | 113 | Transnational Re Corp. | NDO | 22.75 | -7.14 | -7.14 | 27.25 | 20.25 | 76 |
| | | | | | | | | Harleysville Group | NDO | 26.75 | -7.76 | -17.37 | 33.00 | 24.25 | 36 | Travelers Aetna Property | NYS | 24.375 | -8.88 | NA | 28.50 | 23.13 | 938 |
| | | | | | | | | Hartford Steam Boiler | NYS | 45.125 | -5.25 | -9.75 | 52.50 | 42.63 | 147 | Travelers Corp. | NYS | 41.75 | -6.18 | 0.00 | 47.25 | 29.75 | 5620 |
| | | | | | | | | HCC Insurance Holdings | NYS | 25.125 | 4.15 | 35.81 | 25.50 | 10.25 | 198 | Trenwick Group Inc. | NDO | 52.25 | 1.46 | -7.11 | 57.50 | 42.75 | 63 |
| | | | | | | | | IPC Holdings Ltd. | NDO | 20.375 | 1.24 | NA | 22.25 | 19.00 | 265 | Unico American Corp. | NDO | 7.625 | 1.67 | 22.00 | 7.75 | 5.50 | 86 |
| | | | | | | | | ITT Hartford Group | NYS | 52.25 | -1.42 | 8.01 | 54.75 | 44.50 | 1603 | Unionamerica Holdings | NYS | 15.375 | -3.91 | NA | 18.13 | 14.75 | 14 |
| | | | | | | | | LaSalle Re Ltd. | NDO | 21.875 | -2.23 | NA | 23.63 | 19.50 | 66 | United Fire & Casualty | NDO | 33.5 | 0.00 | 19.64 | 40.00 | 18.63 | 4 |
| | | | | | | | | Lincoln National | NYS | 43.5 | -2.79 | -19.07 | 50.00 | 39.75 | 1166 | Unitrin | NDO | 46 | -0.54 | -4.17 | 51.75 | 44.50 | 145 |
| | | | | | | | | Market Corp. | NDO | 92 | 3.37 | 21.85 | 94.50 | 58.75 | 11 | UNUM Corp. | NYS | 60.75 | -2.02 | 10.45 | 63.25 | 43.75 | 509 |
| | | | | | | | | MBIA Insurance Group | NYS | 75.75 | -1.78 | 1.00 | 80.88 | 63.25 | 583 | US Facilities Corp. | NDO | 16.875 | -2.17 | -21.05 | 23.38 | 16.25 | 212 |
| | | | | | | | | Meadowbrook Insur. Group | NYS | 28.25 | -3.42 | -15.67 | 34.13 | 24.00 | 18 | USF&G Corp. | NYS | 15.625 | -2.34 | -7.41 | 19.50 | 14.25 | 1418 |
| | | | | | | | | Mid Ocean Ltd. | NYS | 39.375 | -4.55 | 6.06 | 43.00 | 30.88 | 111 | USLIFE Corp. | NYS | 31.125 | -1.19 | 4.18 | 33.25 | 26.25 | 516 |
| | | | | | | | | MMI Cos. Inc. | NYS | 31 | 0.00 | 29.17 | 31.50 | 18.88 | 59 | Washington National | NYS | 26.75 | 3.88 | -3.17 | 30.50 | 20.50 | 279 |
| | | | | | | | | Mutual Risk Mgmt. Ltd. | NYS | 28.5 | -5.39 | -16.94 | 34.88 | 24.50 | 86 | Zenith National Ins. | NYS | 27.125 | -1.81 | 26.90 | 28.88 | 20.00 | 83 |
| | | | | | | | | NAC Re Corp. | NYS | 30.875 | -5.00 | -14.24 | 39.00 | 28.50 | 92 | Zurich Reinsurance Centr. | NYS | 31.125 | 0.40 | 2.47 | 32.63 | 27.88 | 56 |
| | | | | | | | | National Re Corp. | NYS | 51.125 | 3.74 | 34.54 | 51.75 | 30.00 | 671 | INSURERS/REINSURERS AVERAGE | | | -2.5 | 0.2 | | | |
| | | | | | | | | Navigator Group | NDO | 17.25 | 0.00 | -2.13 | 20.25 | 13.50 | 27 | | | | | | | | |
| | | | | | | | | Nobel Insurance Ltd. | NDO | 11.375 | 1.11 | 0.00 | 12.75 | 10.13 | 41 | | | | | | | | |
| | | | | | | | | Ohio Casualty Corp. | NDO | 32.5 | -3.70 | -16.13 | 40.00 | 30.00 | 572 | | | | | | | | |
| | | | | | | | | Philadelpia Cons. Holding | NYS | 21.375 | -5.52 | -9.68 | 24.38 | 16.88 | 42 | | | | | | | | |
| | | | | | | | | Partner Re Ltd. | NDO | 29.75 | -0.83 | 8.18 | 31.88 | 23.75 | 1575 | | | | | | | | |
| | | | | | | | | Penn-America Group Inc. | NDO | 15.125 | -7.28 | 6.14 | 16.75 | 9.50 | 28 | | | | | | | | |
| | | | | | | | | Phyladelpia Cons. Holding | NDO | 18.5 | -5.13 | 13.85 | 22.50 | 15.00 | 19 | | | | | | | | |
| | | | | | | | | PXRE Corp. | NDO | 23.625 | -3.57 | -10.85 | 29.75 | 22.75 | 230 | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | |

Right On Target with Reliance National and First Capital

Underwriting Surcharged Property exposures requires a great deal of skill and accuracy. Insurance programs must be highly targeted to obtain the desired results. With Reliance National and program manager, First Capital Inc., our clients receive the expertise and service that is vital in this highly specialized market segment.

Whether you're looking to insure an apartment or office building, a restaurant, or mercantile risk, we are positioned to offer comprehensive property and general liability protection from Maine to Virginia.

Our expert loss control professionals, expedient claims handling ability and commitment to tailor-make coverage specific to each client is the keystone of our underwriting philosophy and complements the Reliance National and First Capital relationship.

Reliance National and First Capital...responsive, dedicated and always on target.



**FIRST CAPITAL
AGENCY, INC.**

185 Great Neck Rd., Great Neck, NY 11021
(516) 466-1313



THE CHOICE
Reliance National

A Reliance Group Holdings Company
77 Water Street, New York, N.Y. 10005
<http://RelianceNational.com>

For further information
write us or call (212) 858-6602

Reliance National products and programs underwritten by Reliance Insurance Company, Reliance National Indemnity Company, Reliance National Insurance Company, Reliance Insurance Company of Illinois, Reliance Insurance Company of California, United Pacific Insurance Company and/or Reliance Surety Company.