

business insurance

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Senate clears expansion of Risk Retention Act

WASHINGTON—Legislation to expand the federal Risk Retention Act cleared the full Senate last Thursday by a 96-1 vote, unencumbered by any crippling amendments.

On a 69-27 vote, the Senate turned back an amendment by Sen. Frank Lautenberg, D-N.J., that would have required risk retention groups to participate in state guaranty funds in certain situations. The way it was written
Continued on next page

Claims-made takes hold

39 states adopt ISO's form, but several still balk

By ROBERT A. FINLAYSON

After more than a year of intense lobbying and policy revisions by the Insurance Services Office, its claims-made commercial general liability policy form is available for use in 39 states, but five others have—or likely will—restrict its use, while six states still bar its use entirely.

New York last week rejected ISO's form or broad use, with the Insurance Department issuing regulations restricting the use of all claims-made forms to primarily difficult-to-insure and large liability risks.

Massachusetts and Texas seem likely to adopt similar restrictions. And, Hawaii will follow the lead of South Carolina by approving ISO's claims-made policy form, but with the caveat that certain classes of businesses must be offered a choice between occurrence and claims-made policies.

Meanwhile, insurance regulators in Washington and Vermont say they will not approve the form, while regulators in Michigan, Nebraska, New Jersey and Virginia say they are waiting for more policy revisions or answers to their questions before they will take action on the form. And, the Delaware Insurance Department is waiting for New Jersey to act and will follow suit.



To date, 39 states and the jurisdictions of Washington, D.C., and Puerto Rico have approved the claims-made CGL policy form. Pennsylvania was the most recent to approve the form.

New York, Michigan, Texas, Nebraska and Washington have approved the occurrence

form, but have not approved the claims-made version.

Massachusetts, New Jersey, Vermont, Virginia, Hawaii and Delaware have not approved either the new claims-made or occurrence CGL policy forms.

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Insurers using forms for excess, hazardous risks

Insurers so far are forcing the claims-made commercial general liability insurance form for primary coverage only on the most hazardous and largest businesses.

Most other businesses are still able to exercise their preference and buy occurrence CGL forms for primary coverage, according to interviews with executives of 23 insurance brokerages around the country following the July 1 policy renewal season.

However, when higher limits of excess insurance are sought, insurers—especially surplus lines insurers—more often impose claims-made policy forms, brokers say.

The result for many businesses seeking high limits of liability insurance is a hodgepodge of policy forms.

"In primary coverage, 90% of the risks are being written on an occurrence basis," according to Michael K. White, president and chief executive officer of Alexander & Alexander Inc., the domestic brokerage operation of Alexander & Alexander Services Inc., the second-largest U.S. broker.

"The majority of insurers are applying an underwriting approach to it. If they see a long-tail exposure, they are applying claims-made. If the risk is more average, they will do it on an occurrence form," Mr. White said.

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One year later, Wellington falls short of goal

By STEPHEN TARNOFF

PRINCETON, N.J.—A year after the signing of the landmark Wellington Agreement creating the Asbestos Claims Facility, a cornerstone provision to create an out-of-court mechanism for settling asbestos claims is not in place.

And, it may be another six months before the alternative dispute resolution—or ADR—mechanism is offered.

Facility members remain locked in litigation with more than 30,000 asbestos plaintiffs, with an average of 800 new claims filed every month. And, most settlements are reached only shortly before trial—just as they were settled before the facility was created.

Furthermore, the facility has not attracted any more members beyond the 34 asbestos producers and 16 insurers that signed the agreement in June 1985, despite optimistic predictions last year.

The facility, however, has settled approximately 4,000 asbestos cases since it was established—more than the facility expected, its chief executive officer says. And, it has saved millions of dollars in defense costs for its members.

The Asbestos Claims Facility was created to solve the massive asbestos litigation problem: In June of last year, more than 25,000 cases had been filed against asbestos producers by workers injured from their exposure to asbestos, with tens of thousands more expected over the next 30 years. The ultimate

cost of these claims was projected at a low of \$4 billion to a high of more than \$100 billion.

And, the asbestos producers were fighting with their insurers over available insurance coverage.

When the producers and their liability insurers signed the Wellington Agreement, they settled their insurance coverage disputes, joined forces to defend cases and promised the development of an ADR mechanism for settling asbestos bodily injury claims.

Under the ADR mechanism, claimants would submit employment, medical and compensation history to the facility, which would determine eligibility based on the claimant's exposure to asbestos-containing products of facility members and whether the claimant had an asbestos-related condition.

If the claimant were found eligible for compensation, the facility would then attempt to negotiate a settlement. If a settlement could not be reached, the facility would offer "a full range of professional mediation procedures to promote non-judicial resolution of claims," according to materials from the facility.

Dissatisfied plaintiffs would still have the option of going to court.

The ADR mechanism would substantially reduce the costs of asbestos litigation, benefiting both defendants and plaintiffs, and settle cases more quickly and fairly, facility members predicted a year ago.

"There is no question that this alternative to our court system will satisfy the interests of the parties involved, especially the injured workers," said John Baldwin, president of Pittsburgh Corning Corp., prior to signing the agreement.

"The Asbestos Claims Facility will relieve this legal nightmare which has consistently troubled asbestos manufacturers and insurers," said former Yale Law School Dean Harry H. Wellington, who chaired the negotiations leading to the agreement and for whom the agreement is named.

"It is also exceedingly important that the facility will provide new hope to asbestos-injured workers by offering a voluntary alternative to an inefficient and agonizingly slow court system," he said.

And, John F. Shea Jr., vp and claim counsel for Aetna Casualty & Surety Co. and a major negotiator of the agreement, said: "Since the facility will vigorously pursue negotiated settlements and alternative dispute resolution processes, the courts will also benefit by a reduction in case backlogs which have clogged court calendars."

Now, however, some plaintiffs' attorneys doubt the facility's commitment to establishing an ADR mechanism.

And, they charge that the facility is merely a defense agreement among producers and insurers to hold down defense costs while encouraging litigation rather than settlements.

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update

Risk retention expansion OK'd

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ten, the amendment only would have applied to risk retention groups operating in New Jersey.

Sen. Paul Simon, D-Ill., proposed but later withdrew amendments that would have amended the McCarran-Ferguson Act and would have required insurers to report detailed financial information to the federal government.

Without objection, the Senate accepted amendments proposed by Sens. Slade Gorton, R-Wash., and Wendell Ford, D-Ky., that give insurance commissioners more power to regulate risk retention groups chartered outside their states.

Sen. Robert Kasten, R-Wis., said the overwhelming vote favoring the bill significantly increases the chances that Congress will approve the legislation this year. A similar measure is pending in the House Energy and Commerce Committee.

The legislation would make it easier for businesses, trade groups and municipalities to purchase all forms of commercial casualty insurance—except workers compensation—on a group basis or to form captive insurers, called risk retention groups, to pool risks.

The current Risk Retention Act, passed by Congress in 1981, applies to groups established to purchase or self-insure product liability and completed operations coverage (BI, March 31).

AIG drops plans for new facility

NEW YORK—American International Group Inc. abandoned plans to form Excess Liability Holdings Ltd., a Barbados holding company whose subsidiary, Excess Liability Insurance Ltd., was to provide general liability coverage excess of at least \$25 million.

The facility, which needed \$100 million in capital to begin operating, obtained commitments of only \$60 million from potential sponsor corporations, including \$10 million that was to have been contributed by AIG, said John G. Gantz Jr., an AIG vp.

Mr. Gantz—noting that Excess Liability Insurance was taking too long to attract needed sponsors—said that AIG decided to focus its efforts on two other projects to generate new casualty capacity.

One of these is Putnam Re, a new U.S. casualty reinsurer that started operating July 1 after receiving capital of \$100 million from AIG and several non-affiliated sponsor corporations.

American Home Assurance Co., another AIG unit, also recently started offering liability limits of \$25 million excess of \$25 million.

PepsiCo pays pension liability

CHICAGO—PepsiCo Inc. has paid \$26.1 million of a \$33.6 million withdrawal liability owed the Central States Southeast & Southwest Areas Pension Fund following a U.S. District Court order last week.

The court ordered that the remainder be paid between Aug. 1, 1986 and June 1, 1989, pending arbitration of the dispute, said Michael J. Kelley, the fund's executive assistant.

The fund, which covers members of the Teamsters union, says PepsiCo incurred the withdrawal liability when it began transferring pension coverage for employees to company-sponsored plans from the multiemployer plan.

The Multiemployer Pension Plan Amendment Act permits a multiemployer to demand payments from an employer withdrawing from the plan to cover a share of the plan's unfunded liability.

PepsiCo refused to pay the withdrawal liability assessed by Central States, contesting the test used to determine liability, said Mr. Kelley and a spokesman for White Plains, N.Y.-based PepsiCo.

The fund's trustees calculated PepsiCo's withdrawal liability by allocating the plan's unfunded vested benefits to PepsiCo in proportion to the company's contributions to the fund, Mr. Kelley said.

Refunds may be put in escrow

TALLAHASSEE, Fla.—Insurers may hold in escrow the premium refunds that a new law says must be returned to commercial property/casualty policyholders in Florida until a lawsuit challenging the constitutionality of the legislation is resolved.

Leon County Circuit Judge Charles E. Miner ruled that the premium refunds, which would amount to 10% of the annual cost of a policy and due Oct. 1, can be placed in escrow until resolution of the lawsuit first brought by three major property/casualty trade associations and 23 insurers (BI, July 7).

Since the action was filed, Nationwide Insurance Cos. and affiliate Wausau Insurance Cos. have joined the suit. Three State Farm Group units also filed a similar suit.

A hearing on the actions is scheduled for September.

Judge Miner refused to grant an injunction against a rate freeze,

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National trade associations can sponsor VEBAs: Court

By JERRY GEISEL

CHICAGO—Overruling the Internal Revenue Service and a lower court, a federal appellate court says national trade associations can sponsor tax-exempt Voluntary Employee Beneficiary Assns.

In a victory for trade groups and their members, the 7th U.S. Circuit Court of Appeals in Chicago said the IRS overstepped its regulatory authority when it ruled out VEBA sponsorship by national trade groups in its 1981 final regulations on VEBAs.

Those 1981 regulations, assailed by employers at that time, said trade association VEBAs, also known as 501(c)(9) trusts, only could be offered if employees of trade group members worked in the same geographic area—a single city and its surrounding counties (BI, March 23, 1981). Later, the government slightly modified its rules and said a trade association also could offer a VEBA if members' employees were located in one state (BI, Oct. 31, 1983).

But the court, in a decision involving a 12-year-old VEBA established by the Lisle, Ill.-based Water Quality Assn. that now provides group life and health care coverage for about 700 of its 1,800 members, said the Treasury had no authority to set geographic restrictions on VEBAs.

"The requirement that certain VEBAs be confined to a geographic locality in order to qualify for tax-exempt status necessarily narrows the scope of Section 501(c)(9) and effectively attempts to legislate rather than interpret the revenue laws," the appeals court said in re-

versing a U.S. District Court ruling.

Benefit experts said the appeals court decision is welcome news to trade groups that haven't been sure what to do since the IRS ruled that national associations could not sponsor tax-exempt VEBAs.

Most of the estimated 200 to 300 national associations sponsoring VEBAs probably have disregarded the IRS rules, experts say. The groups have been waiting for the IRS to audit the trusts before deciding on what a decision to take.

Had the appeals court upheld the rules, trade associations likely would have terminated their VEBAs.

But the court victory "gives trade association VEBAs a new life," said Jim Albertine, director of government affairs for the 11,000-member American Society of Executives in Washington.

Because of the decision, "VEBAs generally will retain their appeal to trade associations that want to help members obtain affordable health care coverage. This is great news for trade association VEBAs," Mr. Albertine added.

"Many of us are breathing a sigh of relief," said Peter Davis, a partner in the Chicago office of the law firm of Keck, Mahin & Cate, which represented the victorious VEBA, known as Water Quality Assn. Employee Benefit Corp.

While hailing the victory, Mr. Davis cautioned that the final verdict on trade association VEBAs is not in. For example, other appellate courts, if they are faced with the issue, could rule differently.

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Lloyd's expels ex-Minet chief for PCW role

By STACY SHAPIRO

LONDON—Lloyd's of London is expelling the former chairman of Lloyd's broker Minet Holdings P.L.C. for his alleged involvement in the misappropriation of at least 39 million pounds (\$58.5 million) in syndicate funds managed by PCW Underwriting Agencies Ltd.

Lloyd's last week expelled John Wallrock for participating in the misappropriation, benefiting from the plot, deceiving Lloyd's and not returning the full amount misappropriated.

Mr. Wallrock could not be reached for comment last week.

Lloyd's ordered the expulsion earlier this year, which Mr. Wallrock then appealed under Lloyd's procedures to Lord Wilberforce, a former House of Lords judge (BI, Dec. 23, 1985).

Lord Wilberforce upheld the expulsion, though he lowered the amount that Mr. Wallrock will be ordered to pay to cover the costs of the disciplinary hearing to 90,000 pounds (\$135,000) from the 125,000 (\$187,000) that Lloyd's had pre-

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U.S., Bermuda sign treaty to eliminate excise tax

HAMILTON, Bermuda—Premiums paid by U.S. companies to Bermuda-based insurance and reinsurance companies will be exempt from U.S. federal excise taxes if the Senate ratifies a tax treaty signed July 21.

The ratified treaty would give Bermuda the same tax advantage Barbados won earlier this year, also under a tax treaty, and put Bermuda back in even competition with Barbados for new, large insurance companies that are forming offshore.

The federal excise tax is 4% on direct premiums and 1% on reinsurance premiums paid to foreign-based companies.

Several new, high-premium-volume insurance companies formed in the last year by U.S. businesses to create needed insurance capacity have incorporated in Barbados to take advantage of the excise tax exemption. They include X.L. Insurance Ltd., Energy Insurance Mutual, PRIMEX Ltd. and most recently APEX Ltd.

Premiums paid to commercial insurers and reinsurers in Bermuda also would be exempt from the excise tax.

Bermuda has long sought a tax treaty with the United States to obtain certain tax advantages that would benefit other aspects of the island's economy, including U.S. convention business. The Barbados treaty, however, increased pressure on the Bermuda government to reach an agreement with the United States to maintain its position as the leading offshore insurance center.

The treaty was signed in Washington by Bermuda Premier John Swan and U.S. Assistant Secretary of State John Whitehead.

Premier Swan has said he hopes the treaty will be ratified by the Senate within several months. Congress is scheduled to adjourn in early October.

U.S. Counsel General to Bermuda Max Friedersdorf thinks the treaty stands "an excellent chance of being ratified," noting it has the support of President Reagan and the Treasury and State departments.

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Fremont seeks defense cost ruling

By STEVE TARAVELLA

LOS ANGELES—Fremont Indemnity Co. is asking a court to determine its obligations to defend a Manhattan Beach preschool's owners and employees against civil suits charging sexual molestation.

Fremont is providing counsel for the defendants under terms of a comprehensive general liability policy the Los Angeles-based insurer issued to the preschool from Aug. 1, 1980, to Aug. 1, 1983. The CGL policy carried limits of \$500,000 per occurrence and \$500,000 aggregate, court papers show.

However, the insurer is reserving its rights to deny coverage for defense costs or indemnity payments.

A dispute arose when defendants in the nationally publicized case retained five independent attorneys in addition to the law firm Fremont appointed to represent them.

Citing a 1984 decision by the California Court of Appeals in *San Diego Federal Credit Union vs. Cumis Insurance Society Inc.*, the McMarti defendants demanded that Fremont pay for the additional counsel, the suit said.

Fremont sued for declaratory relief July 7 in Los Angeles County Superior Court, naming the preschool;

its operators, Virginia McMarti and Peggy McMarti Buckley; and five others associated with it: Raymond Charles Buckley, Peggy Ann Buckley, Mary Ann Jackson, Babette Spitzer and Betty Raidor. The attorneys retained by these individuals are named as "nominal" defendants in Fremont's suit, filed by the firm of Buchalter, Nemer, Fields, Chrystie & Younger.

The Cumis decision held that when an insurer reserves its right to deny coverage later, a conflict of interest exists and the insurer must give control of the defense to the policyholder, who may appoint counsel at the insurer's expense, explains Robert N. Schiff, an insurance attorney with Fisher & Hurst in San Francisco.

The decision has become "Topic A" among insurance defense and claims attorneys in the state, says Mr. Schiff.

Some have speculated that the Cumis decision was the basis for the Insurance Services Office's proposal to include defense costs within the limits of its new CGL policy. However, ISO says the Cumis decision, which "symptomatic of the problem we were addressing," not the reason it seeks to limit defense cost coverage.

Fremont, having reserved its right to deny coverage

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Swarm of software

It's a buyer's market for low-cost RMIS

By STEVE TARAVELLA

For the risk management professional interested in an information system but not a hefty price tag, system vendors are introducing a wave of more economical alternatives.

In fact, there have never been more software products to choose from than there are today.

Independent software vendors are introducing a variety of new products to compete with those touted by insurers and brokers. The emphasis this year is on risk management software that runs on minicomputers and personal computers, instead of the once-traditional mainframe time-sharing arrangements.

For the cost-conscious risk manager, that is a welcome shift of attention, because both PC- and mini-based systems generally cost less to buy and operate than their mainframe counterparts.

Overall, hardware prices are coming down, while software prices have remained relatively steady over the past two or three years even though vendors have enhanced their software. The result: improved systems that are noticeably more affordable.

And, some vendors are beginning to offer "unbundled" RMIS products, enabling risk managers to buy only certain parts of a system and spend less than they would if they had to purchase the entire product.

"You'll get more for your \$10,000," says Bill Parry, vp and marketing manager of M&M Client Information Services, a division of broker Marsh & McLennan Cos. Inc. that recently redirected its efforts toward consulting from system development and sales (see story, page 7).

The increasing affordability of systems also has attracted many risk managers at smaller employers to the RMIS market for the first time. This group of potential buyers is helping system vendors offset a drop in business from risk managers at larger employers whose attention is being consumed by more pressing matters, such as finding insurance coverage (see story, page 10).

When risk managers shop for systems, most often at business conferences and seminars, they face a bevy of information systems, each as different as the vendors themselves.

For example, while many vendors are independent, several are affiliated with a broker or an insurer.

As for the RMIS products, some administer claims and

issue checks as well as perform analytical functions, and some do not. Some can operate on either PCs or minicomputers or both, virtually independent of vendor involvement, and others use a PC or dummy terminal to access the heart of the system, a mainframe computer operated by the vendor off-site.

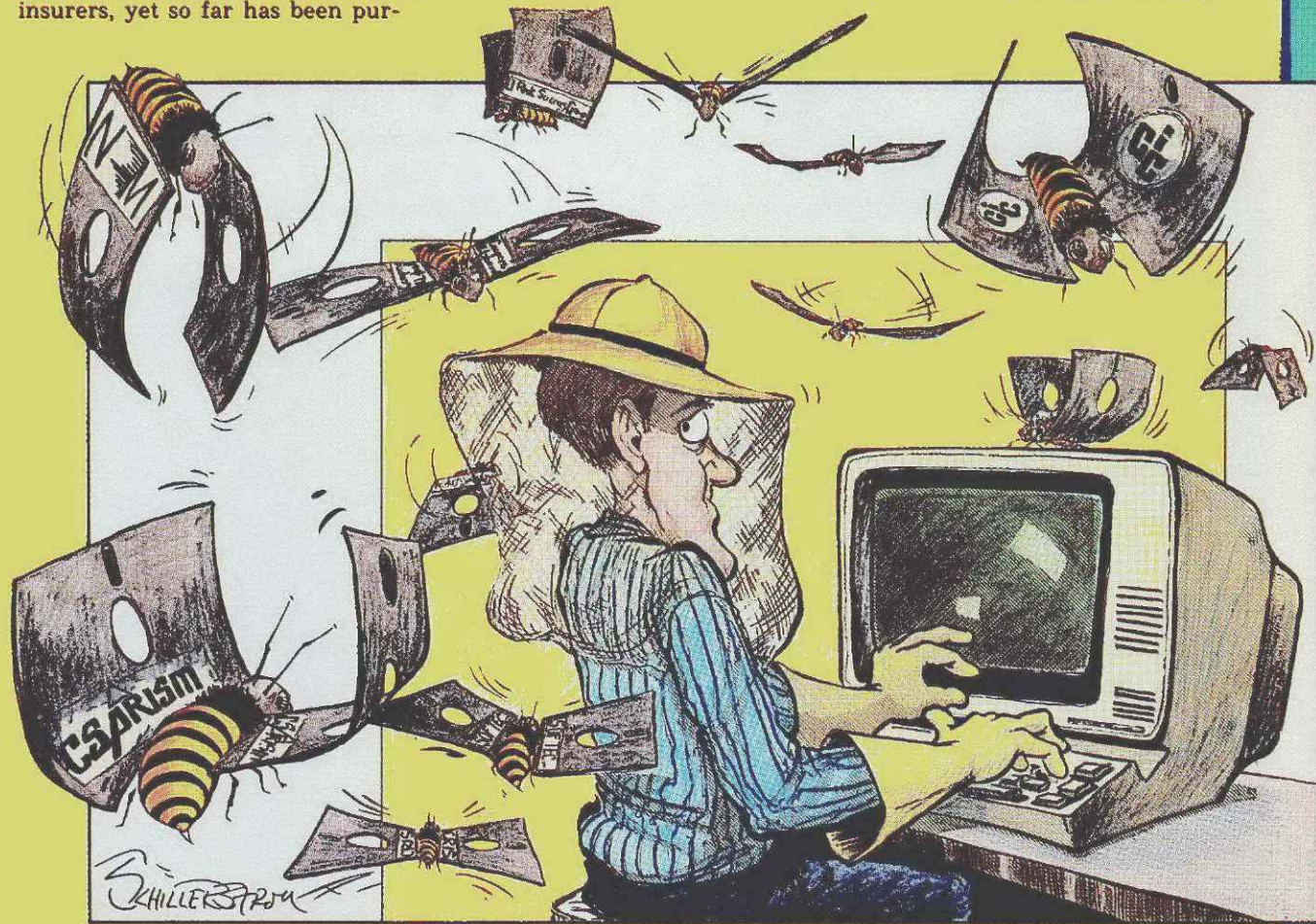
One of the newest systems, PRO-CLAIM, was introduced to risk managers at the Risk & Insurance Management Society conference in Toronto in April. PRO-CLAIM, one of the few minicomputer RMIS products available, is primarily suited for self-insurers, yet so far has been pur-

chased only by an Atlanta third-party administrator and MarinCo Inc., a San Antonio, Texas, managing general agency that is part of retail broker Bayly, Martin & Fay International Inc.

But that may change.

Manufacturer Conway Computer Consultants Inc. is considering offering two less expensive versions of PRO-CLAIM, albeit with somewhat fewer capabilities, reports Harold Blaum Jr., Conway's marketing director in New Orleans.

Continued on next page



RMIS expense won't sting top brass

By MIKE BRADFORD

Risk managers who can demonstrate they need the number-crunching capabilities of a risk management information system to obtain coverage are having little trouble receiving the approval of top management.

In fact, risk managers and consultants say it's easier to convince management to invest in an RMIS when capacity is tight and rates are high, because the company is probably buying less insurance and management is more inclined to approve investments to reduce exposures.

"I think anything that purports to give a risk manager the ability to get a better renewal price or coverage would have to receive a lot of attention," observed Arthur E. Parry, manager of risk management services with The Wyatt Co. in Dallas.

Mr. Parry recalled a meeting with a corporate presi-

dent who was considering the purchase of an RMIS.

"I talked to the president of a company whose premiums were an exorbitant percentage of sales," he said. "When I told him what the cost would be to come in with a system, he said, 'Gee, that sounds like a lot.'"

"But when I related it to the premiums he was paying, he said, 'Gee, that's not so much.'"

Mary Dilley, director of risk management for Thrifty Oil Co. in Santa Fe Springs, Calif., said she convinced top management to invest in an RMIS by demonstrating that the system would generate information the company would need if it were forced to obtain liability insurance on a claims-made basis.

"Because insurance is tougher to get, it is a matter of spending money to save money," she noted.

Ms. Dilley said she promptly educated management on the need for better information-gathering capabilities

as the the push for claims-made forms grew.

In addition, Ms. Dilley and her supervisor attended a seminar on information systems, she recalled. "He said, 'Well, it's worth looking into.' So, I did."

Ms. Dilley also believes that her boss's technical know-how made it easier to convince him of the necessity of a computer system. "The more he got into it, the more interested he became," she explained.

Thrifty's coverage was eventually written on an occurrence instead of a claims-made form, "but in the meantime, management had all this information on why a system was needed," Ms. Dilley added.

But, Ms. Dilley anticipates that the company will eventually have to buy claims-made liability coverage.

The company expects that the system it obtained from The David Corp. of San Francisco will be on line

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System's hidden benefits

The RMIS at CertainTeed Corp. helped the company purchase claims-made excess liability insurance—a benefit of computerization that the company never expected. See story, page 11.

User groups expanding

More RMIS vendors are establishing user groups for their clients to help solve software problems and to keep their system technology up-to-date. See story, page 18.

Cost allocation on an RMIS

A primary function of most risk management information systems is allocating the cost of risk among different corporate operating units both accurately and efficiently. See story, page 22.

Finding the right hardware

Which type of hardware—mainframe, minicomputer or personal computer—will best serve a risk management department's information system requirements? See story, page 26.

Leading risk management information systems

System(s) Vendors	Number used by employer directly	Year first installed	Average completely installed price*
CS ONLINE Corporate Systems	600	1978	\$20,000
ARIS; Personal ARIS; Custom ARIS Anistics Inc.	150; 150; 175	1979; 1983; 1977	\$5,000-175,000 \$775-7,675; varies
CRIS CIGNA Corp. & Corporate Systems	350	1983	Built into premium
Royal/CS ONLINE Royal Insurance Group & CS	275	1983	Built into premium; Cost varies for self-insurers
CARMA; PC CARMA; SA/LOR On-Line Travelers Insurance Co.	50; 22; 74	1982; 1985; 1984	\$45,000; \$15,000; \$1,000
PC RISKMASTER; Mini RISKMASTER SOFTEC Inc	80; 15	1982; 1983	\$1,000; \$45,000
SIGMA+ Risk Sciences Group Inc.	50	1978	\$25,000-50,000

Source: Vendor questionnaires, interviews.

* Costs vary according to claim volume, data base size, utilization and access charges.

Low-cost RMIS

Continued from previous page

If Conway proceeds with those plans, all three versions of PRO-CLAIM will run on PCs off mini-computers in IBM's System 36 series. Their price tags would range from \$12,000 to \$35,000, which is the cost of the current system including training and installation.

PRO-CLAIM can be used by any employer with 500 to 75,000 claims yearly, and it will maintain a five-year claims history.

But Conway is not alone in its foray into smaller systems to attract risk managers whose pocketbooks have precluded an RMIS purchase. Among the other vendors offering smaller systems are National Risk Management Inc., an 8-year-old software manufacturer in San Ramon, Calif.; A&S Consultants, a small but experienced software house in Northboro, Mass.; and Corporate Systems of Amarillo, Texas, the larg-

est systems vendor.

NRM, which sees "a tremendous chunk of business out there" among smaller employers, will introduce in about three months two scaled-down, less expensive versions of its existing liability and workers compensation systems—"one available for everybody's budget," according to Frank E. Amatelli, president.

All three models—the economy, standard and superior—are stand-alone PC-based programs, but their claims data bases can be uploaded into the risk manager's mainframe, Mr. Amatelli explains.

NRM is doing "incredibly well" as an RMIS provider, observed James Blinn, a consultant with Tillinghast, Nelson & Warren in New York.

NRM's economy version is mainly a claims monitoring and information system, rather than a claims management system that issues checks.

The standard and superior versions, both of which process claims and generate a variety of reports, are distinguished from each other by their level of sophistication. For example, in a work comp case, the superior version will automatically provide the amount of maximum temporary and permanent disability benefits upon entering the average weekly wage of the worker. However, the user must know both of those elements to compute benefits using the standard version.

The economy version of either the work comp or liability software will cost \$495 in a single-user format and \$990 in a multiuser format. The standard version is available at a discount if the risk manager purchases both the work comp and liability software. The total cost would be \$5,995 for the single-user format and \$8,990 for the multiuser format.

The superior version of either the work comp or the liability software costs \$9,995 for the single-user format and \$19,990 for the multiuser format.

After hearing numerous risk managers lament that they wanted automation but could not afford the five- and six-figure systems they saw at trade shows, Northboro, Mass.-based A&S Consultants developed four low-cost programs.

The modules, called RISK-WATCH, will be introduced this week, reported Carol Nashawaty, president of A&S Consultants.

A&S previously designed the predecessor of RISKTRAC, a RMIS program now sold by Helmsman Management Services Inc.

The modules for work comp property, general liability and auto liability claims cost \$495 each and operate on a stand-alone personal computer. While they are best suited for smaller companies, some of the modules could be used by Fortune 500 company plant managers to monitor claims of their respective divisions, she noted.

The four modules are information management programs, none of which adjudicates claims or issues checks. The work comp module tracks information that safety managers are required to keep by the Occupational Safety & Health Administration, Ms. Nashawaty explained, noting that OSHA representatives had input into its design.

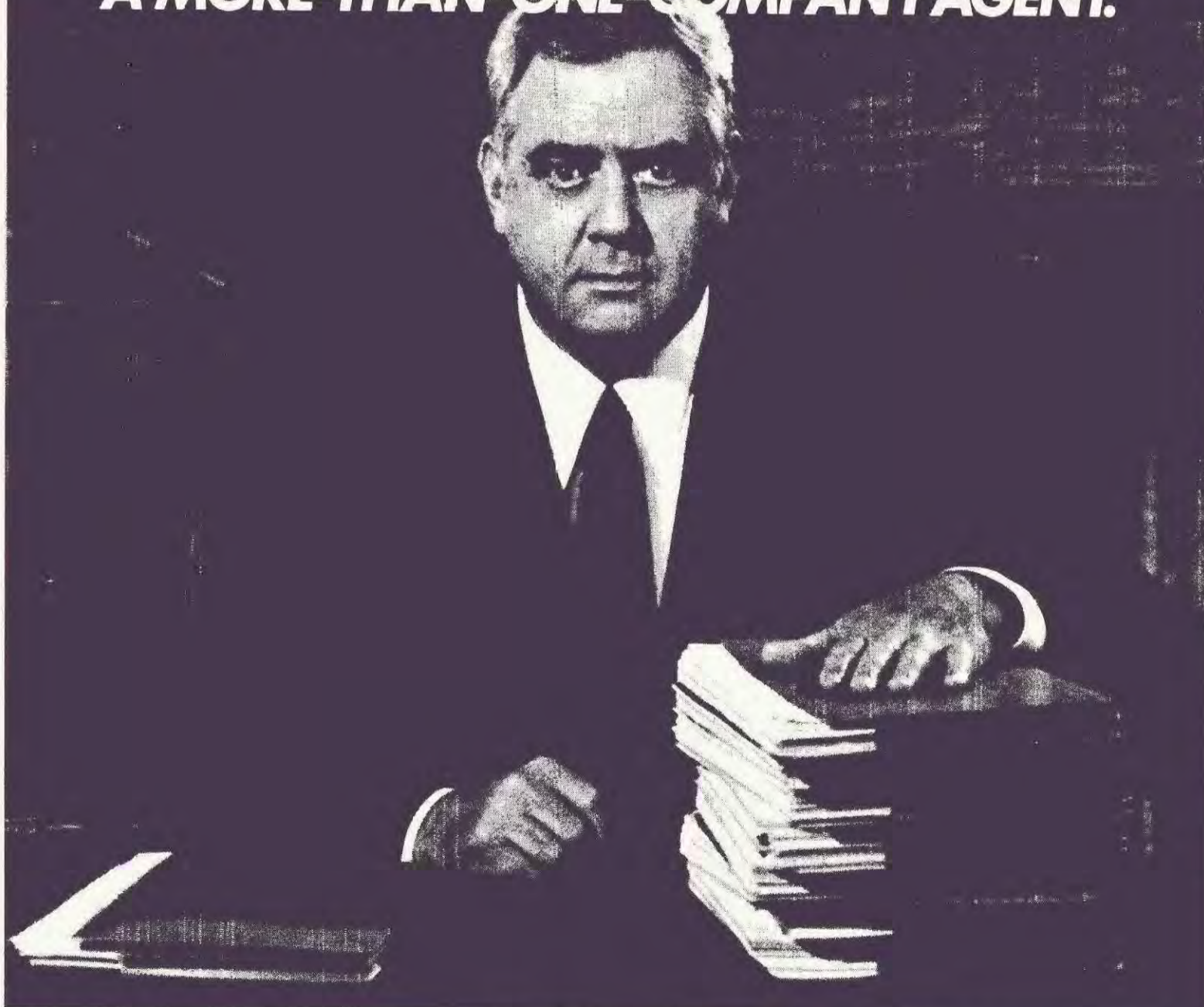
Corporate Systems also hopes to reach smaller companies with its two new products for property, casualty and comp exposures: CS PRISM/36 and CS PRISM/Micro. Of the two, both of which were introduced in January, only PRISM/36 offers claims adjudication and check-cutting capabilities.

The PRISM products are a departure from the traditional mainframe, off-the-shelf wares that have earned the 19-year-old company its reputation as an RMIS leader.

CS is "more willing to take on really challenging assignments," observed Mr. Blinn of Tillinghast.

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**IN BUSINESS, THERE'S MORE THAN ONE RISK.
THAT'S WHY YOU NEED
A MORE-THAN-ONE-COMPANY AGENT.**



Today's businesses face all kinds of risks. From computer losses to pollution liability. From product recall to product liability. From business interruption losses to terrorism. And new risks are emerging every day. That's why so many businesses seek the advice of an Independent Insurance Agent to help them anticipate and manage those risks.

Why an Independent Agent? First, Independent Agents represent many companies—not just one. So they can find the precise coverage you need at the best price. And they can eliminate overlaps and gaps in your protection.

Second, Independent Agents are professionals familiar with in-depth risk management techniques. So they can recommend creative programs that utilize traditional insurance, self-insurance, co-insurance, captives or a combination that best suits your special requirements.


Third, because Independent Agents represent you—not some company—they can help you reach a fast, fair settlement.

No wonder more and more businesses—large and small—rely on Independent Agents to protect them against today's risks. And tomorrow's.

You'll find an Independent Insurance Agent wherever you see this symbol.



**THE MORE-THAN-ONE-COMPANY
INSURANCE AGENT.**



Fifty years ago, older Americans were in need of a New Deal.

Today, we're in need of a new idea.

To depression-weary older Americans worried about living their retirement years in poverty, Social Security was an offer of hope.

And for the most part, Social Security has delivered on that promise for fifty years.

But today, the ranks of older Americans are growing like never before. By the year 2030, 55 million people will be age 65 or older. And some are wondering if programs like Social Security will be enough to meet the future health and financial needs of this rapidly expanding group.

Clearly, new ideas are needed to help supplement programs like Social Security, Medicare and Medicaid.

At NWNL Group, we're working on a solution. It's a program called LifeScope.SM It's designed to provide health and financial security for a person's working and retirement years by sharing financial responsibility among participating individuals, employers and health care providers.

LifeScopeSM will be implemented through traditional employee benefit channels. But its comprehensive approach to retirement care is unequalled in the history of employee benefits.

Obviously for an idea of this magnitude to succeed, it will require the help of government legislation, the participation of

health care providers and the support of business in making LifeScopeSM available to employees.

NWNL Group invites each of these institutions to join us in shaping our plan. Contact Ginny Patrick, NWNL Group, Box 20, Minneapolis, MN 55440 or call 612-372-5784 for a detailed report on the problem and how we can solve it together.

Quite obviously, our task is enormous. But so is the need.

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 NWNL GROUP

Low-cost RMIS

Continued from page 4

The PRISM line reflects what Scott Gilmour, vp-marketing, calls "mainframe crossover services." Both the PRISM/36, a minicomputer RMIS, and the PRISM/Micro, a PC-based system, give their users the control and flexibility of a system in their offices combined with the power of mainframe data conversion.

For users of both products, CS transfers the risk manager's claims information from the magnetic tape of insurers or TPAs into its own mainframe computer in Amarillo. The information is then downloaded into the user's terminal.

Users also can transmit data to the mainframe so CS can print and distribute the voluminous management reports sometimes required of risk managers. Regular loss runs and ad-hoc reports, however, are generated at the user's site.

Mr. Gilmour recommended the PC version for risk managers with a data base of 4,000 to 6,000 claims and up to 1,000 new claims annually.

The minicomputer version is better suited for larger employers, those with a data base of 5,000 to 300,000 claims and 10,000 or more new claims annually, he advised.

Risk Sciences Group Inc. of Atlanta, a chief competitor of Corporate Systems, also plans to court smaller businesses.

RSG, which also has offices in Sausalito, Calif., and New York, is developing a version of its popular SIGMA+ product that will give the user more control on a PC and require less use of a mainframe. That version should be ready for demonstration by next year's RIMS conference, said Richard F. Denning, president.

Meanwhile, SOFTEC Inc. in Livonia, Mich., is introducing a stand-alone mainframe version of its strong-selling RISKMASTER system. The company already has sold risk managers 80 PC-based versions of RISKMASTER and 15 minicomputer-based versions.

The mainframe version costs \$120,000, but SOFTEC President Mark E. Dorn pointed out that numerous risk managers now pay that much for only one or two years under a mainframe time-sharing arrangement.

The software arms of several insurers are giving independent vendors a run for their money. The Travelers Insurance Co., Liberty Mutual Insurance Co., CIGNA Corp. and Hartford Insurance Group all offer their policyholders access to an RMIS.

Mr. Gilmour of CS acknowledges that insurers are becoming "more important" in the systems market, largely because they can price their products competitively by building charges into insurance premiums.

Mr. Denning of RSG pointed out that in today's tight commercial insurance market, insurers can package virtually whatever services they wish.

CS has created much of its own competition: Through joint marketing contracts with about 14 leading insurers and brokers like Crum & Forster and Johnson & Higgins, more than 4,000 risk managers have access to some type of CS information system.

Insurers pose more competition to independent RMIS vendors than brokers now do, the vendors say. The foremost reason is that insurers are the primary source of data, according to Mr. Denning. "Nobody can substitute for that relationship."

Travelers is trying to put three to six policyholders monthly on-line with PC CARMA, a time-sharing arrangement in which the risk manager draws claims and reserve information from a Travelers mainframe either in Hartford, Conn., or Norcross, Ga., utilizing a

personal computer in his or her office. A hard copy of the information can be printed in the risk manager's office.

Twenty-one policyholders use the system today, but not just to monitor coverage written by Travelers. The insurer also will input claims and policy information from other insurers the risk manager patronizes, explained Nancy Netcoh, a Travelers systems analyst in Hartford. Travelers converts the data other insurers send it, usually on magnetic tape, and the insurers charge the risk manager a fee.

The system, one of three different information systems offered by Travelers, is not intended to process claims or issue checks.

Travelers charges policyholders for PC CARMA based on their claims volume. All but one PC CARMA user is a Travelers policyholder, but the company also markets the system to self-insurers and policyholders of other insurers, Ms.

Netcoh noted. It is suited for employers with 500 to 1,500 claims annually.

While Travelers is focusing on its PC products, Boston-based Liberty Mutual is working with stand-alone Wang minicomputer and IBM mainframe RMIS products.

Through its Helmsman Management subsidiary, Liberty is marketing RISKTRAC to policyholders as well as non-policyholders. At an average price of \$30,000, completely installed, 20 systems have sold, 18 in the minicomputer version and two in the recently developed mainframe version reported Barry Kaditz, director-information systems marketing and sales.

About five of the 20 purchasers either self-insure their property or casualty exposures or insure them commercially, he estimated.

Liberty also is developing a PC-based version of RISKTRAC, which should be introduced next year.

Brokers also are touting their own RMIS merchandise. Among them are Rollins Burdick Hunter Co., Arthur J. Gallagher & Co., Fred S. James & Co. and Alexander & Alexander Services Inc.

A&A's RMIS arm, Anistics Inc. in New York, is a leading RMIS provider competing with Corporate Systems and Risk Sciences Group Inc. for the business of major corporations. While Anistics has sold more systems than most other vendors, it has been less visible recently than in previous years.

That is because the company is focusing on redesigning some of its software products, according to Richard B. Hall, executive vp of Anistics. He declined to describe the enhancements in progress but promised that the company will make "a bit of a splash" with them in the near future.

"We're pulling in our horns a little bit, but it won't be for much longer," Mr. Hall said.

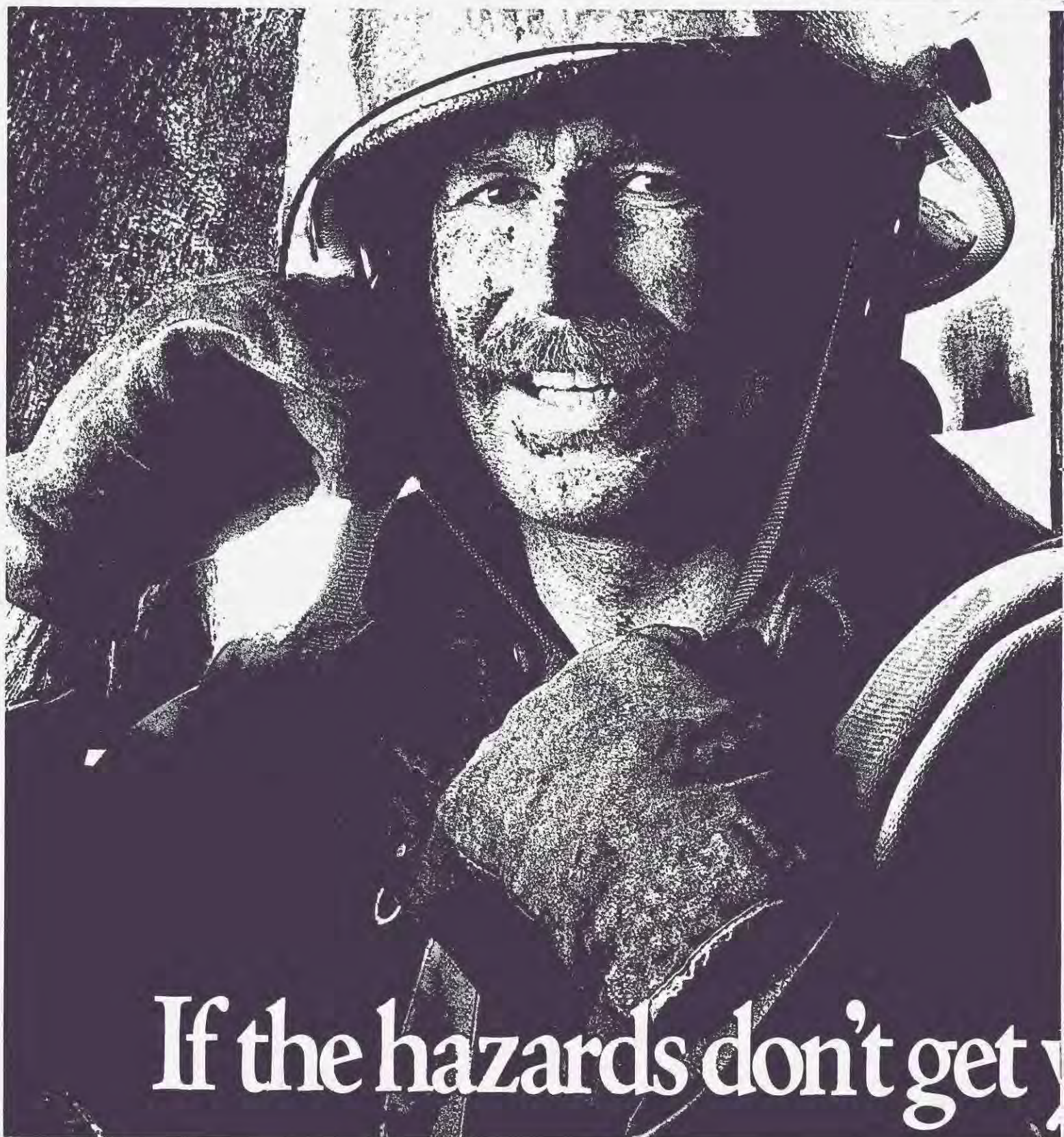
RBH of Chicago has sold its RISKAN system to 51 risk managers about 80% of whom are RBH brokerage clients, estimated Gary Spirduso, second vp.

RISKAN's users are both self-insured and commercially insured employers, most of whom access their claims information on a PC in their offices by tapping into RBH's mainframe in Treviso, Pa.

The time-sharing arrangement permits the risk manager to produce his own reports and inquiries on-site, while having the larger bound volumes of reports printed by RBH, which then distributes them to the appropriate locations for each user.

Like Travelers' PC CARMA, RISKAN can accommodate claims information from outside sources such as TPAs or other insurers. For instance, an insurer can send RBH tapes containing information about coverage RBH did not place.

Continued on next page



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Continued from previous page

The risk manager pays the data conversion fee.

The typical RISKAN client has at least 5,000 claims annually, Mr. Spriduso estimated, and there is no limit to the number of claims the mainframe can handle.

Installation charges have ranged from \$1,000 to \$63,000, depending on the number of years of claims history, the degree of claims detail and the cost of transferring claims information to RISKAN. There also are ongoing charges based on claims volume and anticipated report production. These have ranged from \$1,500 to \$81,000 annually, according to RBH.

Clients of any Arthur J. Gallagher & Co. unit can use RISX-FACS, a mainframe time-share RMIS product offered by subsidiary Gallagher Risk Data Inc. in Rolling Meadows, Ill. Unlike some other vendors, Gallagher takes a bundled approach, usually offering its RMIS only in combination with other services, such as its pure brokerage services.

Most RISX-FACS users are claims administration clients of Gallagher-Basset Insurance Services or brokerage clients of AJG who have

no independent tie-in to the data base. But if they choose, risk managers can access their claims information on RISX-FACS with a dummy terminal or with MICRO-FACS, a PC risk management program.

About 20 of RISX-FACS' 400 users have instant access to claims data, about half via MICRO-FACS and the rest with a dedicated terminal, according to Bob Gallagher Jr., assistant to the president-product research & development.

At least 20% of RISX-FACS users are public entities, while the largest user group probably is Catholic diocesan organizations, according to Mr. Gallagher.

Most RMIS products are designed to be used by insurance managers in almost any profession. But some of the most successful are developed specifically for one industry.

For instance, Cantor & Co. in Beverly Hills, Calif., has sold more than 100 of its Patient Care Monitoring System (PCMS), which is a stand-alone PC software system for hospitals. While the system tracks incident reports, one of the bedrocks of hospital risk management, it also handles infection control, discharge planning and utilization and admission review, ex-

plained Alan B. Cantor, president.

PCMS, one of about six Cantor RMIS products, sells for \$15,000 with a \$2,400 annual support charge after the first year.

Most of PCMS's current users are quality control professionals, and about 20% to 30% are risk managers, Mr. Cantor estimated.

In addition to the independent vendors, insurers and brokers, several risk management software products are marketed by companies better known for providing financial services other than in risk management. These include Coopers & Lybrand, Ernst & Whinney and GAB Business Services Inc.

Coopers and Ernst & Whinney of New York each market a stand-alone loss projection and reserve analysis program for personal computers.

Coopers' EXHIBITMAKER PLUS can be used by companies with as few as 30 to 50 work comp, general liability and auto liability claims annually, according to Richard Fallquist, director of actuarial services in Seattle. Most of EXHIBITMAKERS' 84 users are insurers, but its risk manager users include the city of Portland, Ore., and the state of Alaska, he noted. Coopers says that the av-

erage completely installed price is \$7,500.

Some use EXHIBITMAKER as an adjunct to their RMIS—so much so that Coopers is developing specially formatted programs that risk managers can use to convert data from leading RMIS systems to EXHIBITMAKER, Mr. Fallquist noted. The new software should be out within four to six months.

Ernst & Whinney's answer to EXHIBITMAKER is MicroRESCOMP, a PC-based product with similar objectives. E&W sold the system for \$16,000 about a year ago but refuses to discuss cost or sales figures today.

GAB, the national Parsippany, N.J.-based adjusting and appraisal firm, has sold seven of its Centurion RMIS products since the system was introduced at the 1985 RIMS conference in New Orleans.

The Centurion user, in a time-sharing arrangement, draws claims information onto a dummy terminal or PC from a mainframe at GAB headquarters.

Centurion processes work comp and property/casualty claims, but GAB has not completed its analysis functions, explained Mike Mullen, project leader of GAB's information support group.

M&M changes RMIS focus

NEW YORK—Like Corroon & Black Corp. and Reed Stenhouse Inc. before it, leading broker Marsh & McLennan Cos. Inc. is retrenching from risk management information system software development and sales.

M&M Client Information Services has put its products on the back burner to concentrate on system consulting, service and customization, chiefly for M&M brokerage clients.

CIS is marketing RMIS needs-assessment services to help risk managers find an appropriate information tool.

This includes evaluating systems already on the market and developing mainframe system specifications for large employers that want in-house control of their systems, explained Dave Horton, manager of systems development.

Mr. Horton, the only staff member of about 10 who stayed with CIS after it closed its PC software development division in Atlanta, said CIS currently is designing specifications for one employer's in-house claims-processing system, which will involve both PCs and a mainframe computer.

While a CIS consultant may recommend that a client purchase a CIS software product, CIS is not aggressively marketing its products, said Bill Parry, vp and marketing manager in Appleton, Wis.

CIS products include RIMSTAR, a mainframe time-share arrangement; MAESTRO, a \$30,000, stand-alone PC system; and Micro Claims Manager, which sells for less than \$5,000 and is designed for companies generating up to only 500 claims annually.

CIS will continue to enhance MAESTRO, although "not as rapidly as before," Mr. Horton said, but will not enhance RIMSTAR.

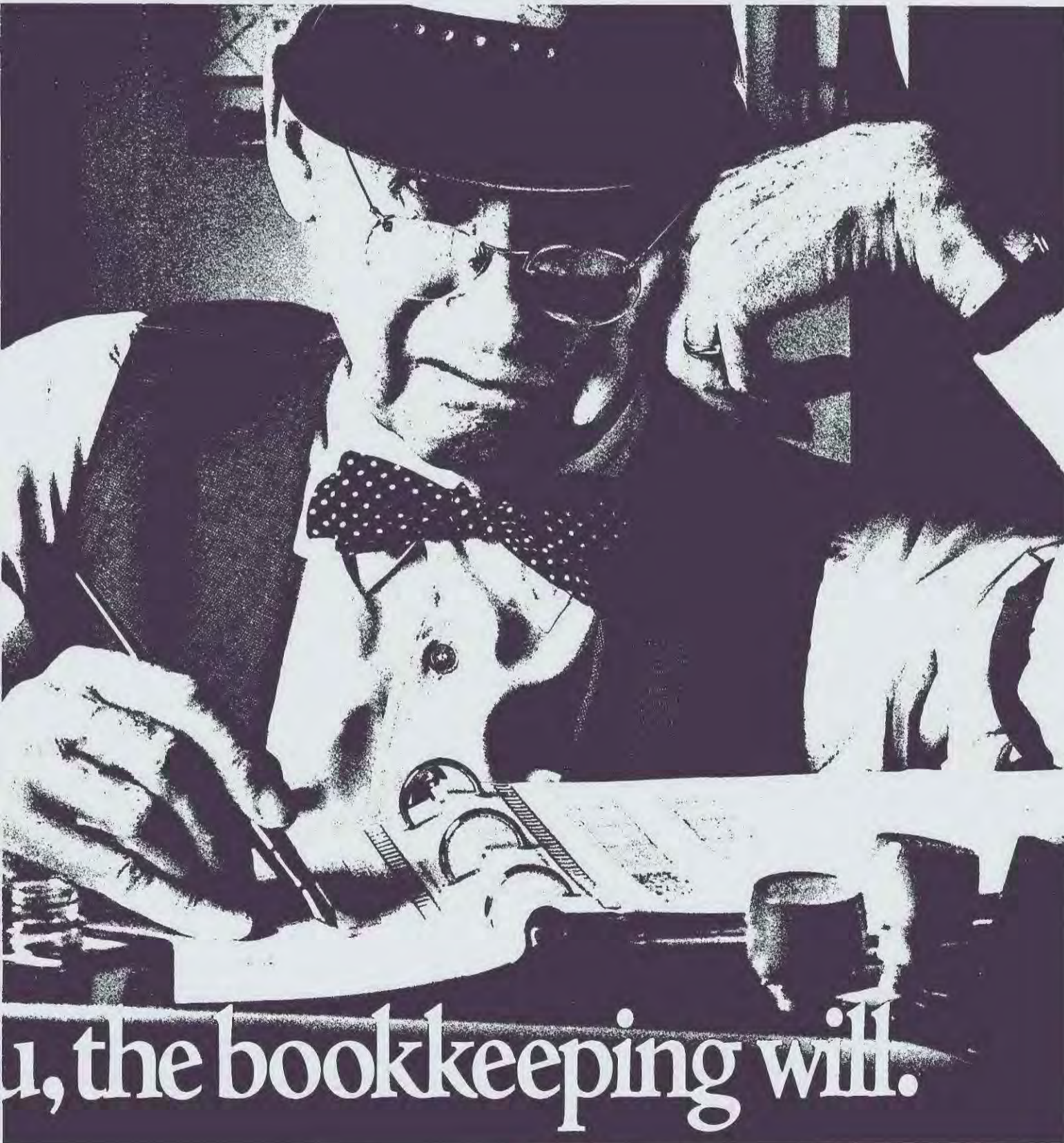
CIS will support existing users of both systems; MAESTRO has about 12 users, about 10 of which are also M&M brokerage clients.

CIS also is closing its operations in Houston and Long Island, N.Y., and will maintain offices in New York, Chicago and San Francisco.

This shift of strategy mirrors M&M's decision almost two years ago to stop administering work comp claims for self-insured employers and instead advise employers that wanted to take administration in-house (BI, Nov. 5, 1984).

M&M is the third major retail broker in three years to leave its software development and sales efforts for system consulting. Affiliates of Corroon & Black and Reed Stenhouse took that step in January 1984 and March 1984, respectively (BI, Feb. 18, 1985).

—By Steve Taravella



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opinions

Making Wellington work

THE ASBESTOS CLAIMS Facility should heed the advice of its chief architect and engage an independent mediator to help establish an alternative dispute resolution mechanism for bodily injury claims.

An ADR mechanism is critical to the success of this noble experiment in handling massive toxic tort litigation. Without it, the facility will fail miserably to solve the asbestos litigation crisis.

In the last 12 months that the facility has failed to set up an ADR mechanism for bodily injury claims, more claims have been filed against asbestos producers than the facility has settled. Comparable numbers are not available, but it's clear litigation is mounting. New claims filed in 1985 totaled more than 9,000, but the facility settled only 4,000 claims in the last 12 months. And the claims settled were filed years ago.

We agree the facility has succeeded in two of its three goals. It settled the disputes over insurance coverage for bodily injury claims among asbestos producers and insurers that signed the Wellington Agreement creating the facility. And, the facility has reduced defense costs incurred by these companies.

These important achievements should not be overlooked.

It was senseless for insurers and policyholders to spend so much time, effort and money to litigate the meaning of insurance policies—with nearly everyone arguing a different meaning—when almost all the judgments provided the maximum coverage for the policyholder. The array of policy interpretations was reaching the realm of the ridiculous.

Reducing the amount asbestos producers and their insurers spent on defense costs was equally important. There is no doubt that eventually all recoverable insurance for asbestos claims will be exhausted—leaving only the financial resources of the asbestos producers to compensate future claimants. Therefore, the less insurance money spent on defense costs, the more there will be available to pay claimants. This becomes all the more important as primary limits of liability insurance, which cover defense costs outside policy limits, are exhausted. The next available coverage, excess policies, charge defense costs against policy limits. Every dollar of defense charged against an excess policy limit is a dollar that won't be paid to a deserving claimant.

No one should forget how high those defense costs were mounting: \$1 was spent on defense for every dollar that was paid to an asbestos claimant, according to a study from the Rand Corp.'s Institute for Civil Justice. And, another 71 cents went to plaintiffs' attorneys.

But, the Asbestos Claims Facility should not be merely a cooperative defense mechanism. If that's all it is, then the AFL-CIO was right last year to criticize its development. The union's attorney, David M. Silberman, warned before the facility was created that the asbestos producers and their insurers would "use their

new-found harmony to wage a unified war of attrition against victims who seek compensation."

The union also told its members that only the threat of big defense costs incurred by asbestos producers forces settlements.

At the time, we thought the AFL-CIO was unfairly harsh and unduly skeptical. Unfortunately, to date, the facility has not proved the union entirely wrong. The 4,000 claims settled in the last 12 months may be an all-time high, but so is the volume of pending claims.

The Asbestos Claims Facility now should move quickly to develop the ADR mechanism for settling bodily injury claims.

And, the best catalyst for action is to bring in a mediator to chair negotiations between the facility and plaintiffs' attorneys, as Yale Law School Professor Harry Wellington advises.

Professor Wellington knows what it takes for asbestos defendants and their insurers to reach agreements with plaintiffs' attorneys. He was the mediator for the 2½ years of discussions that preceded the signing of the Wellington Agreement.

A mediator is needed not only to speed up the development of an ADR mechanism, but also to restore the credibility of the facility with plaintiffs' attorneys who are frustrated with its slow progress in settling claims.

We also advise the facility to stop being so secretive about amounts paid to settle claims. An ADR mechanism will work only if claimants and their attorneys think they will get a fair deal in settling their claims. And, they will believe they are getting a fair deal only if they know what other plaintiffs are receiving.

After the facility implements an ADR mechanism, it should turn its negotiation efforts to resolving the disputes over coverage for property damage claims and providing an ADR mechanism for settling property damage claims against asbestos producers.

Professor Wellington has commented that the parties are waiting for more court decisions on the property damage issue to draw the parameters for the negotiations.

We think that is a waste of litigation costs and the courts' time. The producers, their insurers and the plaintiffs can, in good faith, define reasonable parameters for their negotiations and proceed.

The Asbestos Claims Facility faces difficult tasks. But, it must set up the ADR mechanism for settling bodily injury claims. If it fails to accomplish this goal, courts will be clogged for years to come with suits filed by tens of thousands of asbestos claimants.

Claimants entitled to damage payments for their injuries will suffer not only from their illnesses, but also from the delays in receiving their rightful compensation and from the needless waste of money litigating cases that everyone agrees would be in the best interest of plaintiffs and defendants to settle.

Court ruling on VEBAs long overdue

TRADE ASSOCIATIONS are celebrating an important—and overdue—employee benefit victory.

A decision earlier this month by a federal appellate court in Chicago recognized what employers have been saying for years: 1981 regulations drafted by the Internal Revenue Service that said national trade associations could not sponsor tax-exempt Voluntary Employee Beneficiary Assns. were an abuse of regulatory authority (see story, page 2).

Under those rules and a minor change made in 1983, trade groups are allowed to operate tax-exempt VEBAs to fund employee benefits only if members' employees work in a limited geographic area. That ruled out VEBAs sponsored by national trade groups whose members' employees are scattered across the country.

But the appeals court said that if Congress wanted to impose a geographic limitation, it would have done so when it passed legislation authorizing the trusts.

While federal agencies often must interpret vague legislation, rules confining trade association VEBAs to specific geographic areas to obtain tax-exempt status go beyond interpretation, the court said. We wholeheartedly agree.

But we caution employers that this appellate court decision may not be the final word on the issue. Other cases are bound to wind their way through the courts, and other appellate courts could rule differently.

It is also possible that the Supreme Court might review the issue or that the IRS and Treasury Department may ask Congress to draft new legislation that would overturn the appellate decision.

We hope that if other courts or legislators consider the issue that they will keep in mind a key purpose of Section (501)(c)(9) of the tax code: to assist employers in providing health care coverage to their employees. Arbitrary geographic restrictions defeat that purpose.

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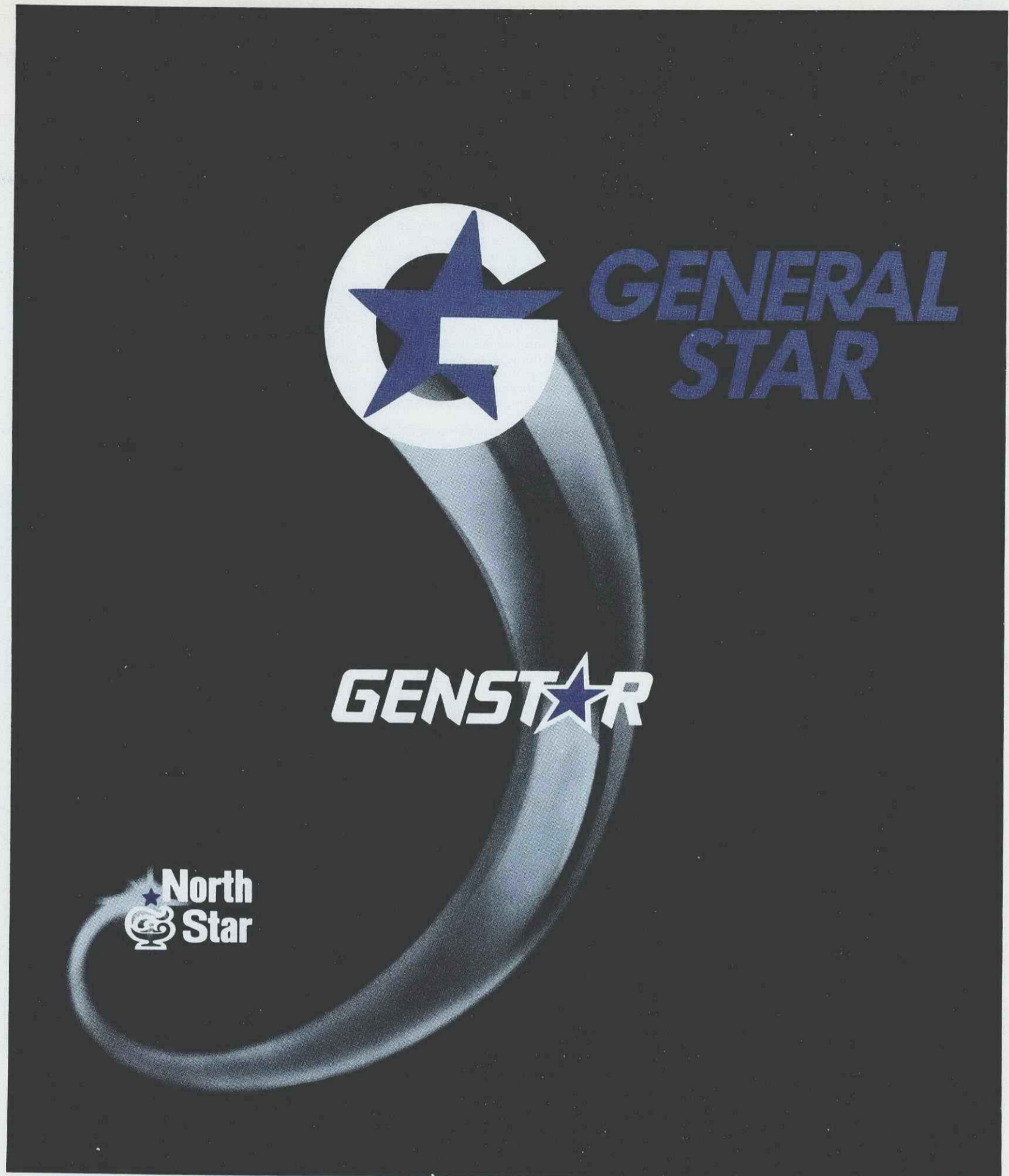
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Market crunch impedes RMIS shopping

By STEVE TARAVELLA

In a classic case of Catch-22, many risk managers strongly suspect that a risk management information system could ease pressures created by the tight market, but they don't have the time to look for one.

And, because of those constraints, those who have managed to set aside some time are rushing to buy rather than just looking, according to system vendors.

"They've been so busy with immediate problems that they can't address problems of the long term," observed Richard F. Denning, president of Risk Sciences Group Inc. of Atlanta, which offers the SIGMA+ information system.

Scott Gilmour, vp-marketing for competitor Corporate Systems of Amarillo, Texas, said risk managers are "so wrapped up in trying to get some kind of quotation or locate a source of insurance that they have very little time to put together a risk management information system."

"Precisely at the time they need more information, they don't have access to it," concurred Barry Kaditz, director of information system sales at Helmsman Management Services Inc., a Liberty Mutual Insurance Co. unit in Weston, Mass., that markets RISKTRAC.

The news is the same at The Times Mirror Co. in Los Angeles, which is now installing information system software.

"We wanted it by the end of the year, but there's no way we'll make that deadline. With renewals being so hard, we haven't had the time," said Sharon A. Urban, assistant director of risk management.

Thrifty Oil in Santa Fe Springs, Calif., also knows the difficulties of RMIS-hunting in this market.

"It's like a two-edged sword, because part of putting your program together is having the loss information," noted Mary Dilley, director of risk management.

After looking at several software products for about four months, including systems developed by Risk Sciences and Cantor & Co. in Beverly Hills, Calif., Thrifty chose P&Cplus, developed by DAVID Corp. in San Francisco. The system, which processes property/casualty but not workers compensation claims, probably will be installed over the next month, Ms. Dilley estimated.

It will be the first P&Cplus installation.

Even those risk managers who make the time to shop for an RMIS today do not have the luxury of leisurely browsing through conference exhibit halls as they might have several years ago.

"They're not just shopping to browse; they're more interested and determined to find a system," said Mr. Gilmour.

Sales figures seem to bear this out: Corporate Systems' 1985 sales were double those of the previous year, enabling the company to record a profit of more than \$1 million for the first time, Mr. Gilmour pointed out.

SOFTEC Inc. of Livonia, Mich., also reports heavy business. Installations of its popular RISKMASTER system have increased about 200% from this time last year, says Mark E. Dorn, president.

Mr. Dorn agreed that many risk managers have gone "from the gawking stage to the I've-got-to-get-it-quickly stage."

RISKMASTER is a leading RMIS product sold in stand-alone mainframe, minicomputer and personal computer versions.

Frank E. Amatelli, president of San Ramon, Calif.-based National Risk Management Inc., also agrees.

He said that if NRM were to have the same number of potential RMIS buyers as it had last year, the vendor would sell more of its systems today than it did a year ago.

NRM sells two RMIS products, one for workers compensation and one for liability exposures.

Perhaps to make the most of what little shopping time they have, or perhaps due to a general maturation of the profession, risk managers are better informed today about RMIS products and how they can be put to use, according to most vendors.

While many risk managers are unable to make an RMIS a top priority now, most vendors say they have not noticed a significant drop in inquiries about their systems, because another group of buyers have

taken up the slack. The vendors say that typically risk managers with smaller budgets now are able to consider an RMIS purchase for the first time because of the falling costs of PC-based stand-alone systems (see story, page 3).

Another significant group of RMIS shoppers consists of risk managers who by circumstance or by design find themselves self-insuring for the first time and now need expanded number crunching capabilities.

"If they leave the commercial market and take on these responsibilities themselves, they have to have these tools," said Richard Fallquist, director of actuarial services at Coopers & Lybrand in Seattle.

Coopers & Lybrand markets EX-

HIBITMAKER PLUS, a software product specifically designed to analyze liability loss reserves and project future losses based on experience.

An RMIS product should assume greater importance in risk managers' overall strategy when turning to self-insurance, vendors advise. At this point, "it becomes absolutely critical—you're mastering your own destiny," said Robert Gallagher Jr., assistant to the president in product research & development at Gallagher Risk Data Inc. of Rolling Meadows, Ill., a subsidiary of broker Arthur J. Gallagher & Co. GRD markets a mainframe time-share RMIS arrangement, RISX-FACS, to clients of any Gallagher subsidiary.

"If you're self-administered as

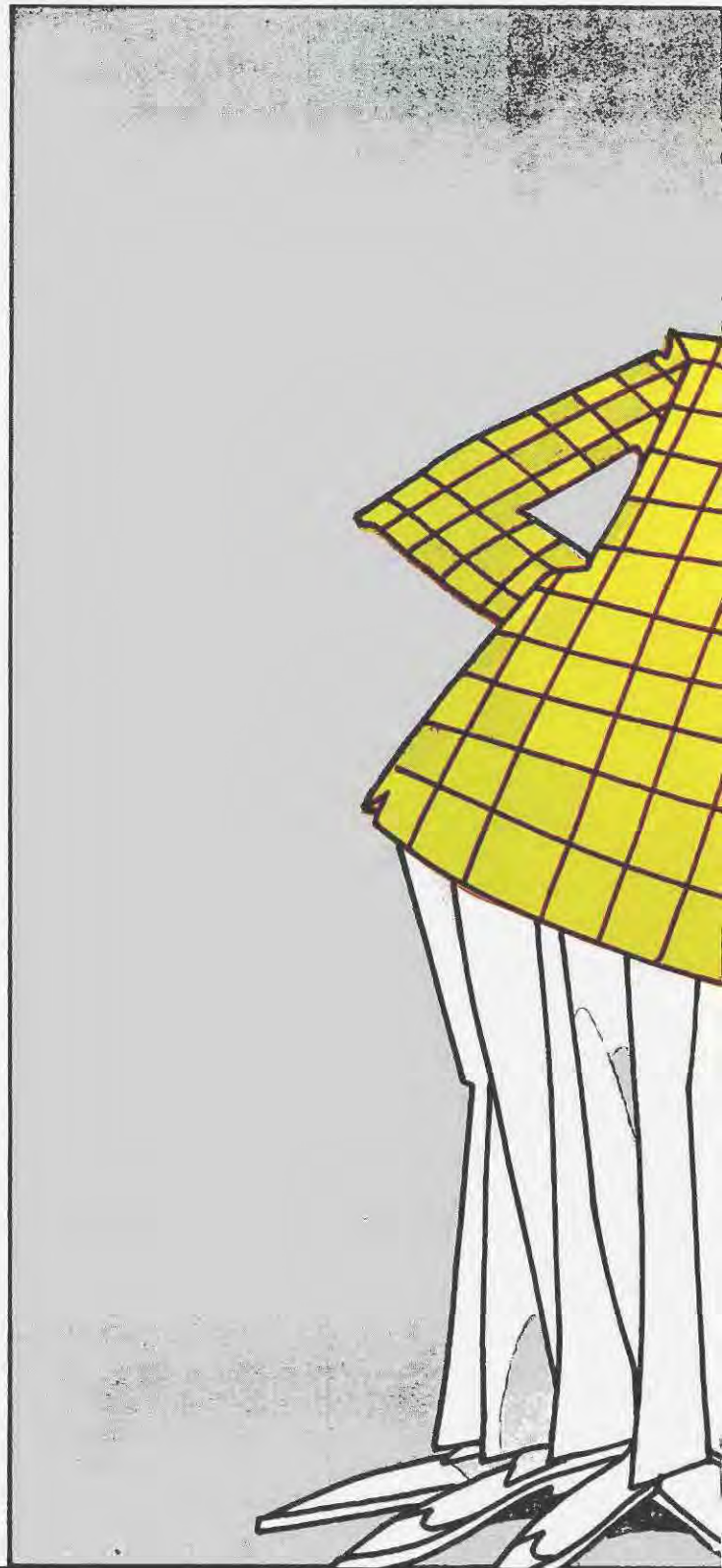
well, you'd have to be in the Dark Ages not to consider a significant information system," observed Bill Parry, vp and marketing manager at M&M Client Information Services in Appleton, Wis., an RMIS subsidiary of retail broker Marsh & McLennan Cos. Inc.

When leaving an insurer-supplied or vendor-supplied RMIS for an in-house system, risk managers are advised to expect some kinks.

For example, a new self-insurer sometimes faces an obstacle getting claims and loss data promptly and in good form from the former provider, which now has little incentive to do so.

Also, not all system vendors are capable of transferring data efficiently from the former source to the new information system. ■

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CertainTeed RMIS does more than expected

By DAVE LENCKUS

VALLEY FORGE, Pa.—CertainTeed Corp.'s risk management information system, as expected, is allowing the company's small risk management department to spend more time managing risks rather than generating reports.

But, nobody expected the RMIS would play a major role in the company's efforts to obtain excess liability insurance.

Kenneth M. Krenicky, director of risk management for the manufacturer and distributor of building material, energy conservation, and water and wastewater products, believes the company would not have been able to obtain the coverage in January without the aid of the system.

CertainTeed's broker, Marsh & McLennan Cos. Inc., reported then that any excess liability insurance the company would be able to purchase in London would be written on a claims-made basis, but the company first would have to provide the excess underwriters with a 10-year loss history on a claims-made basis.

Risk management attempted to convert the company's previous 10 years of occurrence-based loss experience history to a claims-made loss history, but Mr. Krenicky realized a week before he was to leave for London that the department would not have the report prepared. He then turned to the RMIS to generate the report.

"That was something I didn't even foresee," Mr. Krenicky said,

referring to the need for the system to produce such a report. "I knew the system would be very flexible, but that was its first test."

The RMIS, which went on line last year, consists of three systems offered by Atlanta-based Risk Sciences Group Inc., a subsidiary of Crawford & Co.

The three systems are the:

- SISDAT system, which is the basic system that produces reports from claims data handled by Crawford & Co.

- SISDAT+ system, which allows CertainTeed to tap Risk Sciences' mainframe computer in Atlanta and, for example, make inquiries on individual claims and make additional data entries. Incorporated into this system is the NOMAD2 data base language.

Insurers' and claims administrators' tapes are processed through the mainframe computer, but reports are produced at CertainTeed on a Toshiba P1351 printer. The company uses an IBM 5150 microcomputer to tap the mainframe.

- Sigma+ system, which allows claims data from sources other than CertainTeed's current insurer and claims data from several current claims administrators to be combined into a single report. In addition, the custom-designed litigation management element of CertainTeed's RMIS is built on the Sigma+ system.

Prior to selecting the RMIS in 1984, CertainTeed already had contracted with Risk Sciences that year to prepare loss projection analyses of its product liability expo-

sure. And, in 1985, Crawford became CertainTeed's claims administrator for its commercial general liability, auto liability, product liability and insured workers compensation programs.

Mr. Krenicky said the decision two years ago to implement a RMIS was made after his first two years as risk manager at Valley Forge, Pa.-based CertainTeed, a subsidiary of Compagnie de Saint-Gobain of Paris, France.

During that period, Mr. Krenicky said he treaded in a sea of duplicate files and inaccurate loss runs.

The risk management and legal departments were maintaining duplicate files on product liability claims, which represent the major portion of claims against the company. The legal department was sending risk management 2,500 sheets of paper every week concerning those cases. And inaccurate information in loss runs from the company's insurer often resulted in inaccurate premium charges to the company's seven operating groups, which the company's controller then had to correct.

"I said there must be a better way," Mr. Krenicky recalled. He wanted a system that would enable his department to maintain accurate claims information in order to allocate premiums properly to different operating groups under incurred-loss retrospectively rated liability insurance programs, virtually eliminate paper files and help the risk management and the legal departments minimize litigation costs by tracking litigation matters more closely.

"Eventually, I hope to have no hard files or files only on specific large claims," Mr. Krenicky said. "I don't need hard copy that often. I just need information."

Mr. Krenicky believes that CertainTeed management readily approved implementing an RMIS because the integrated system was designed to aid the legal department and the controller's department as well as risk management.

CertainTeed has annual sales of \$1.2 billion and employs 7,500 at 94 sites nationwide—of which 30 are manufacturing and 20 are distribution facilities. Most of the other sites are sales offices. Its five manufacturing and two distribution divisions serve three industry segments: fiberglass products, building materials and piping products.

CertainTeed's primary general liability, product liability and auto liability coverages have been written since January 1985 by National Union Fire Insurance Co. of Pittsburgh, Pa., a subsidiary of American International Group Inc. The insurer also writes the first \$5 million layer of excess liability insurance.

In addition, National Union writes CertainTeed's workers compensation coverage in Texas, where the company has 32 facilities, and in several other states, none of which has more than a couple of facilities, Mr. Krenicky explained.

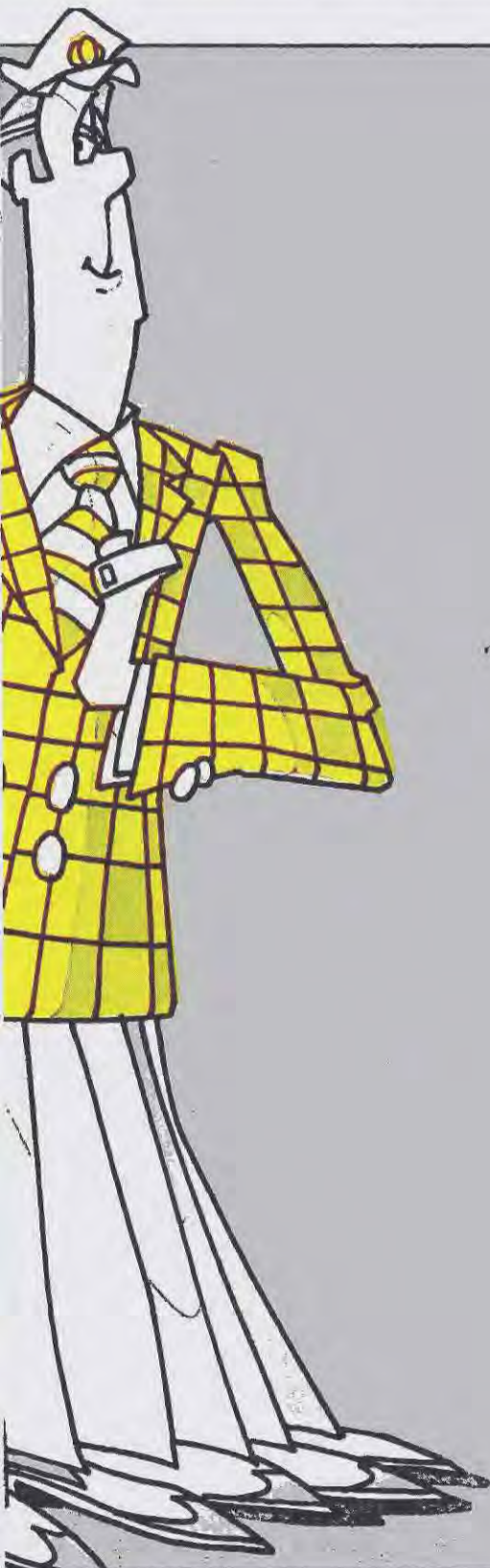
Most of the company's policies are written on an incurred-loss retrospectively rated basis, with CertainTeed retaining the first \$500,000 per occurrence, Mr. Krenicky pointed out.

Claims under these programs are administered by Crawford & Co.

CertainTeed self-insures its work comp exposures in another 14 states up to the first \$1 million per claim. Work comp claims in those states are handled by Fred S. James & Co. of New York.

The company is hit with between 8,000 and 9,000 claims annually, approximately 90% of which are insured, according to Mr. Krenicky. Of that total, 4,000 involve consumer-oriented product liability

Continued on next page



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Info system

Continued from previous page
 claims of less than \$1,000, and \$3,000 are workers compensation claims, he said.

The company also has asbestos exposures, primarily from employees of companies that have used CertainTeed's asbestos-lined cement sewer pipes, dockworkers who unloaded asbestos material and railroad employees that used asbestos materials to insulate pipes in railroad passenger cars.

"It's no secret that we had an asbestos risk and still do. It's a minimal risk, but there still are a lot of claims," Mr. Krenicky said, adding that asbestos-related claims represent a small portion of the total claims against CertainTeed. "We only have one attorney involved in that, and it's not his full-time job."

According to Mr. Krenicky, CertainTeed, along with most of its former and current insurers, have

signed the Wellington agreement, under which asbestos producers and insurers have settled coverage disputes and which sets up a claims-handling facility to dispose of asbestos bodily injury claims out-of-court (see story, page 1).

But, Mr. Krenicky added some of the asbestos-related claims against the company also involve property damage, which are not covered by the Wellington agreement.

Besides the problems with duplication of effort between risk management and the legal department an RMIS became necessary to accurately record claims involving the diverse products the company manufactures and distributes, Mr. Krenicky explained.

While many of the claims against CertainTeed—such as work comp and auto liability claims—are routinely reported on loss runs by insurance company claims handlers, claims against the company involving some of its products are not so common and often were reported incorrectly on loss runs.

"We make large sewer pipes," Mr. Krenicky noted. "For a claim handler, that will probably be the first time he'll handle that type of claim, and it will probably be the last time."

Prior to implementing the RMIS, a clerk in the risk management department had to review the loss runs from CertainTeed's insurer to double-check that claims were charged against the proper product line and operating group. When mistakes crept into loss runs and subsequently into reserve allocations, operating groups' loss reserves were improperly charged.

Not only are loss runs more accurate with the RMIS, but the risk management department also can generate reports more quickly.

For example, the department previously would spend from several days to as long as a week checking the claims data from its general liability insurer and its work comp claims handlers for each type of risk and for each operating group, and then prepare a quarterly report for the controller's office.

The department now can generate each report in a day. A primary reason is that the system generates a single loss run report from the loss run tapes of the three companies administering claims for CertainTeed: Crawford, Fred S. James and Aetna Life & Casualty Co. of Hartford Conn., which wrote most of CertainTeed's liability coverage between 1976 and 1984 and still is providing CertainTeed with loss reports.

Without the RMIS, the risk management department would be handling separate loss runs from each company.

"It really has saved us quite a bit of time and manpower," noted Robert Connor, assistant risk manager. "It's quite a cumbersome report that we put out. It goes to the vp of manufacturing and the group controller. It saves us some aggravation and the controller from wondering where charges have come from. It shows changes from quarter to quarter and by plant."

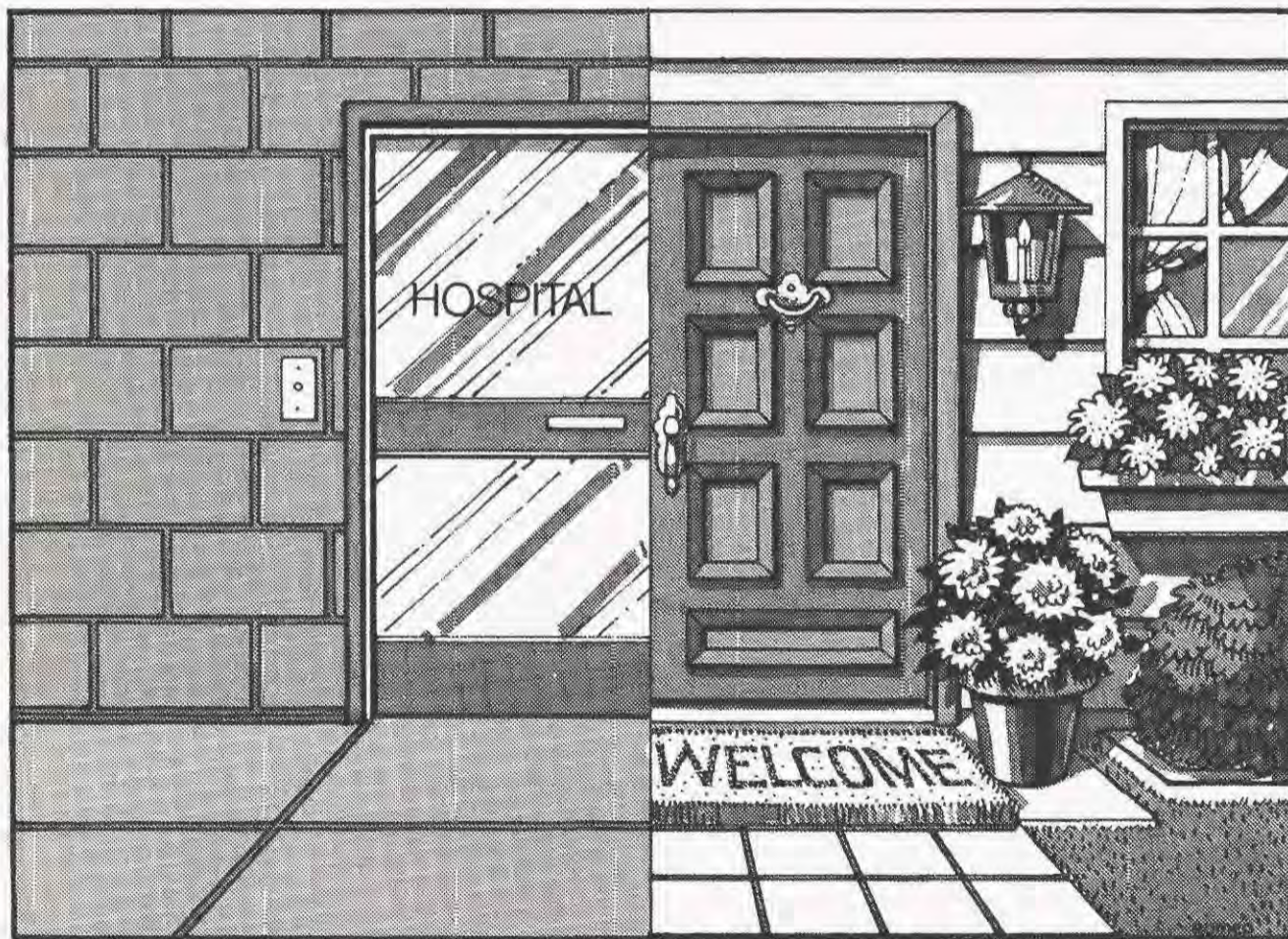
Mr. Connor added that CertainTeed goes back to 1976 to make quarterly loss reserve adjustments concerning general liability and workers compensation claims for each division.

In addition, CertainTeed in some cases can update its loss information more often than it was able to previously. For example, the company can get daily updates on its self-insured work comp claims from the computer at Fred S. James.

Another key feature of the system is that it automatically adjusts the cumulative reserves for an operating group and a product line and compares those figures to the budgeted figures, eliminating the

Continued on page 14

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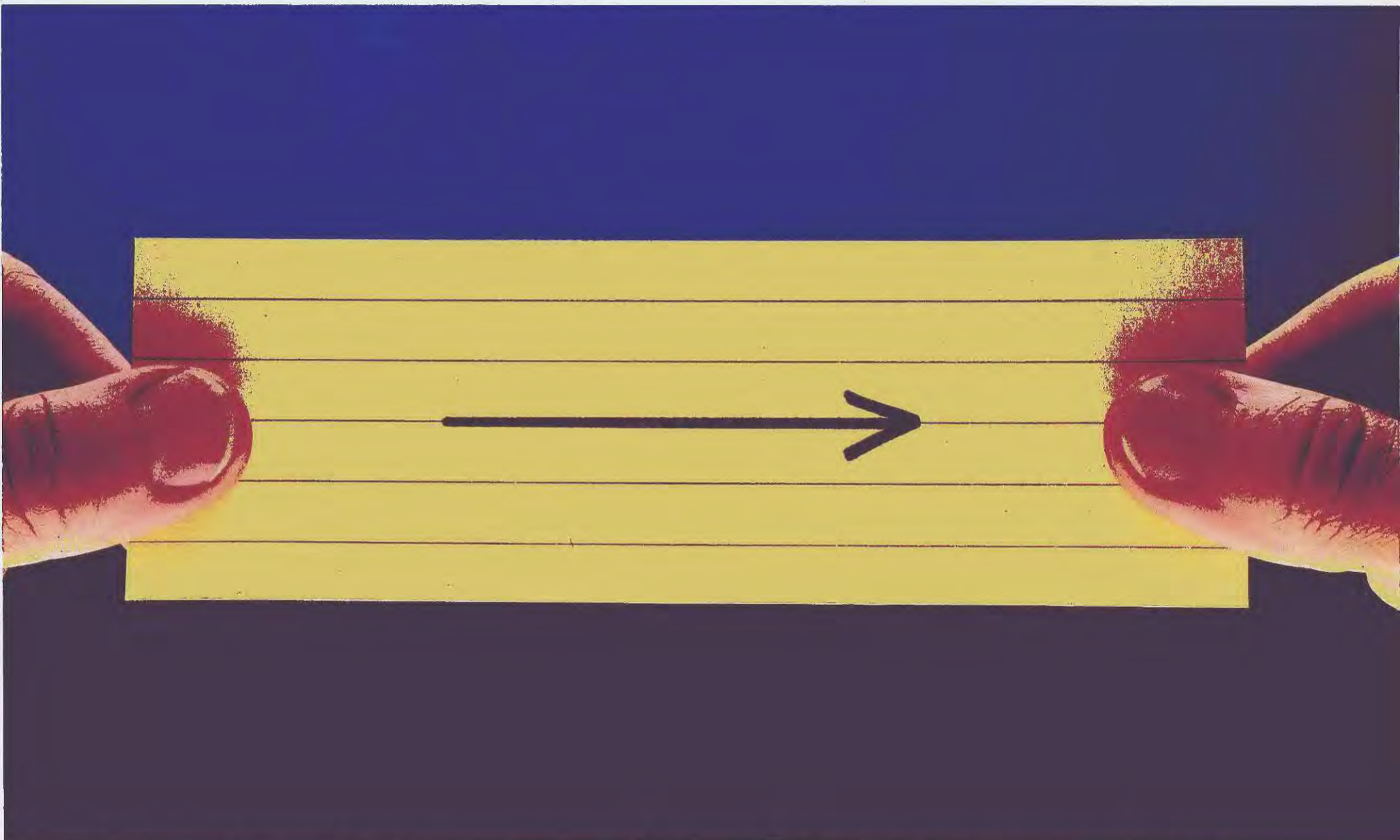
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Info system

Continued from page 12
need for the department to make those adjustments manually.

Mr. Krenicky noted that the system also "is only a step away" from automatically transferring the data entered into the risk management files to the controller's office.

That accurate data, including properly allocated claims to products and operating groups, also helped CertainTeed to secure the upper layers of its excess insurance program, Mr. Krenicky said.

"When you go to the excess insurers, they want to see accurate data. And London companies have a tendency to send in American law firms to check your loss data. They're looking for organized, orderly and accurate records. They want to know that you have a good loss run, a good system in place," Mr. Krenicky noted.

"Excess insurers are looking for

reasons not to talk to you," he added. "They couldn't give me any excuses not to look at our loss runs."

CertainTeed's excess liability underwriters, led by H.S. Weavers (Underwriting) Agencies Ltd., wanted that information on a claims-made basis, even though CertainTeed's liability coverage has been written on occurrence forms for the past 20 years.

But the RMIS produced a loss history accurate enough to satisfy the insurers' requirements. Risk Sciences utilized the system to convert CertainTeed's occurrence-based loss history into a claims-made history by using the dates that CertainTeed's insurers entered claims into their systems.

"That's not necessarily CertainTeed's claims-made date, but it'll be within a couple weeks or a month," Mr. Krenicky said, because the company always promptly reported claims to its insurers.

The RMIS produced a claims-made loss history that broke down losses by dollar amounts, year, line, product type and operating group.

And, it generated the loss history in one week. "If this was tried on a (stand-alone) microcomputer, you could turn it on today and come back at the end of summer," noted Andrew R. Daniels, vp-operations at Risk Sciences' New York office.

Excess liability insurers also were impressed with the litigation management element of the RMIS.

CertainTeed designed the "computerized tickler system" to track and help control litigation expenses. "It's a unique twist we put into the system that you couldn't buy off the shelf," Mr. Krenicky explained.

For example, that aspect of the system provides CertainTeed's general counsel with a calendar of upcoming court dates and depositions; tracks the legal fees of defense attorneys retained by the company

nationwide by product type, case, type of case and law firm; lists which insurers are involved in a case; identifies exposure dates; and, for asbestos-related claims, breaks out the percentages of a claim for which insurers are responsible.

Mr. Krenicky believes that CertainTeed's computer system eventually will be able to interface with Wellington's computer system. By so doing, Wellington would receive CertainTeed's asbestos-related information as the company enters it into the litigation management system, which would eliminate the step of copying that information and sending it to the facility.

"It will eliminate paper flow, copying time and allow us to know how we're doing at any time," he said, referring to the number of asbestos-related claims against the company and associated costs.

Mr. Krenicky maintains that this element of the RMIS also greatly aided the company in its efforts to

purchase excess liability insurance because excess insurers want assurances that the claims are being handled properly.

At a seminar during the Risk & Insurance Management Society conference in Toronto in April, Mr. Krenicky stressed that self-insurers especially need litigation management systems to assure excess liability insurers that their claims are being handled properly (BI, April 28).

In addition, CertainTeed's legal department is utilizing the system to track non-insurance-related litigation, Mr. Krenicky noted.

Currently the RMIS is tracking only insured losses, but eventually risk management will utilize the Sigma+ element of the RMIS to track uninsured losses and allow the company to accurately allocate the costs of uninsured losses to each division.

And, within the next few months, Mr. Connor plans to begin utilizing the system's graphic capabilities "to capture the attention of senior management."

For example, Mr. Connor plans to graphically depict the percentage of the corporation's workers compensation costs for which each division is responsible, a 20-year history of work comp costs and possibly the costs associated with a particular work comp injury and its rate of frequency compared with other injuries.

In the future, CertainTeed can use its microcomputer capability for risk management administrative purposes instead of only for interfacing with the mainframe and for word processing and data storage capability, noted Richard Denning, president of Risk Sciences. For example, CertainTeed may want to create a policy register, which could identify those policies that are up for renewal or placed by a particular broker.

Mr. Denning also noted that the NOMAD2 system will be available in software for use with personal computers soon.

The system was not implemented without a hitch, however. The main mistake CertainTeed made was sending its risk management staff for training to Risk Sciences' New York office before the company had its hardware in place, Mr. Krenicky said. Users should have their hardware in place so they can use the system as soon as they have been trained, he noted.

And, risk managers should understand that implementing any RMIS is not easy, Mr. Krenicky pointed out. "The first thing you've got to say is it is an effort. You've got to get a lot of data from old insurers, get the tapes. Then you've got to correct them all."

He advised allowing three to six months to obtain the necessary data on which to build an RMIS and a year before expecting to use the system.

And, he views the RMIS as a tool for his clerical help. "The goal should be that clerical should be able to generate all your reports, to free up your more talented people—not the risk manager generating all the reports. What good does that do you?"

Mr. Connor echoes Mr. Krenicky's sentiments. "Now, instead of generating reports, we're managing the risk," he said.

As for the return on investment in the system, Mr. Krenicky believes that judgment is somewhat subjective. He noted that while the savings associated with eliminating duplicate files and using a clerk to photocopy documents can be measured, there also are less easily quantifiable benefits.

"If I get excess insurance this year and I wouldn't have without it, what's it worth?" he asked. "The purchase of excess insurance is probably the top job of a risk manager, because it's catastrophe protection."

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RMIS approval

Continued from page 3

by the end of August. The system, which costs between \$30,000 and \$40,000, represents "a healthy sum" in relation to the oil company's overall risk management budget, according to Ms. Dilley, who is still shopping for additional software to complete the system.

At The Walt Disney Co. in Burbank, Calif., Director of Risk Management Bert Schecter proved to management that workers compensation and commercial general liability claims, which the company self-administers, were increasing enough to justify the \$100,000 price tag of a new California Interactive Computing Inc. system.

"We took the tactic of showing management how claims increased," explained Mr. Schecter. In addition, Disney hopes the system will help limit future risk management staff increases, espe-

cially in clerical areas, he said.

"We're in the process of putting it in," he said. "It should be in sometime next month."

Even risk managers who convinced management years ago to install risk management information systems believe that they would have had an easier time obtaining approval today.

"In a hard market like today's, I would think it would be 10 times easier to get a system approved," said Eben Jones, risk and loss control manager for Rollins Inc. in Atlanta.

Mr. Jones said Rollins began using an IBM mainframe system in the late 1970s at the "peak of the last hard market, or the beginning of the down cycle."

Rollins contracts with Crawford & Co. and Underwriters Adjusting Co. for computer data services.

Another advantage that risk managers who are looking for their first information system have, compared with those who implemented systems years ago, is that the systems available today are vastly improved, Mr. Jones said.

Five years ago, the \$50,000 that American Can Co. spent on its RMIS "was not a big chunk" of its risk management budget, noted Richard Inserra, managing director of risk management. "Management has seen the advantages of the system, and they're willing to spend the money to enhance it" when necessary, he said.

Now, the operating costs of the system are minimal, he added.

Mr. Inserra said that management fairly readily approved of installing the IBM PC-based system. "We really didn't have a problem with that," he said. "We signed on with no real problem."

Ralph F. Perry Jr., vp of risk management for Amfac Inc. of San Francisco, agrees that, because of the current market, corporate management generally is more willing to make that type of investment.

"I don't think it would be as hard to justify today, particularly with this marketplace," Mr. Perry said. "I don't think it would be difficult at all to do it."

But, he added, "I say that from the standpoint of a company with \$2.6 billion in revenues. I suppose if you were in a small one-line operation, you might have a little problem."

Still, "you can acquire systems that are quite reasonable in cost" for any size business, he said.

In addition to their number-crunching capabilities, information systems are a necessary tool for risk managers at organizations that self-insure their risks because corporate auditors are concerned about how organizations fund their self-insurance programs, said Mr. Perry.

"Outside auditors are paying more attention to self-insurance programs. That in itself is enough to justify one," he observed.

Amfac's RMIS is anchored by software provided by Corporate Systems Inc. of Amarillo, Texas, and recently enhanced by a flexible package of software known as Quaestor.

When it first considered installing a system, Amfac "played the pricing thing," Mr. Perry recalled. Initially, management listened to the computer services vendor that at the time provided Amfac with services such as payroll administration, he said.

The vendor said "We can do that," and we said, 'Fine,'" Mr. Perry recalled.

But then Amfac estimated that it would cost \$27,000 to educate the vendor about insurance so it could develop an RMIS.

After conversations with Corporate Systems, Amfac realized that CS could provide a cheaper information system and that Amfac would not have to educate the computer services vendor about risk management and insurance, Mr. Perry explained.

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Growth of RMIS 'user groups' accelerating

By MEG FLETCHER

Support groups for users of risk management information systems are an idea that is fast becoming a reality.

In the next few months, at least two new "user groups" are expected to be added to at least three existing ones.

Crawford & Co.'s Risk Sciences Group will hold its first meeting in October, while Rollins Burdick Hunter Co.'s Risk Management Services hopes to establish a user group in the early fall.

They will be joining three established vendor-sponsored groups. Corporate Systems and CIGNA Corp.'s CRIS Risk Information Services began their respective groups just a year ago, while The Travelers

Insurance Co.'s Risk Management Information Services Department started its group in 1983.

Finally, SOFTEC Inc. is considering establishing a user group in the future.

Some of the impetus for user group development may have come from the tight property/casualty insurance market, which has forced many companies to rely on computers to monitor increased retentions, observers say. Risk managers previously relied on insurers and claims administrators for such information.

With that push for self-sufficiency, more risk managers have decided to participate in user groups to air their complaints and suggestions and lobby for system enhancements that will make their

jobs easier.

"I'm doing it to help the state of Georgia," said Jerry Newsom, the state's risk manager. He is co-chairman of a Client Advisory Council sponsored by Amarillo, Texas-based Corporate Systems.

He is hoping Corporate Systems will make some user group-proposed programming changes to improve RMIS reports. "If it comes out, it will save us some money," he said. If not, he plans to leave the group.

The group is headed by a broad-based, five-member core group that meets throughout the year and actively plans the group's meetings. In addition, six rotating user members are invited to attend twice-annual regional meetings, according to John Champlin, Corporate Sys-

tems' Eastern regional manager for customer services.

A user group "maximizes" the input of people with "serious" involvement with a risk management information system, said Alison Bucklin, finance and accounting manager for The Pillsbury Co.'s insurance and risk management department in Minneapolis.

A good user group can be better than a vendor survey for active RMIS users to transmit ideas to a vendor because survey results can be diluted by the opinions of less-devoted and less-active users, added Ms. Bucklin, who has participated in Travelers' user group.

In addition, "If one user company develops a solution to a problem, that solution can be shared by other users," she said.

"You don't have to reinvent the wheel."

Travelers' user group for main-frame CARMA system users has organized four meetings—first on a national, then later on a regional basis—since the user group began in 1983, said Linda P. Sundram, Travelers' assistant director in charge of the user group.

The company plans the meetings, which usually last about two days, and generally invites two representatives from each client company who have differing responsibilities. After each meeting, Travelers responds in writing to issues that came up at the meeting so "its promises are in black and white," Ms. Sundram said.

Influenced by user group comments, Travelers completed a major restructuring of the canned report section of its software programs to eliminate unnecessary procedures, she said.

The company would like to expand the user group concept to include users of its personal computer software, Ms. Sundram added.

While risk managers turn to RMIS user groups to make their voices heard and lobby for system enhancements, vendors like the groups because they help ensure that technology and its application are current.

"I think we can learn a lot from our users," said Richard F. Denning, president of Atlanta-based Crawford & Co.'s Risk Sciences Group.

User groups help a vendor's employees become sensitive to the risk management applications of information systems technology. That is useful because many vendors' employees have little or no background in risk management, he said.

Corporate Systems' Mr. Champlin said that the most important feedback a user group can provide about a vendor's service bureau concerns employees and their training. "We are a service bureau. We live and die by humans," he said.

Gary Spirduso, second vp with RBH Risk Management Services, said the aim of the user group that RBH is in the process of forming is twofold: It will allow users to exchange ideas and provide a means of introducing new products.

While user groups vary by their size, organization and cohesiveness, all good user groups must tread a narrow line between being a forum for gripes and providing practical, topical feedback to vendors, said James Blinn, consultant with the Tillinghast Division of Towers, Perrin, Forster & Crosby in New York.

It is important that participants don't use the group session as "an individual complaint session," said Terri Cardile, manager of CIGNA's CRIS Center for Professional Development.

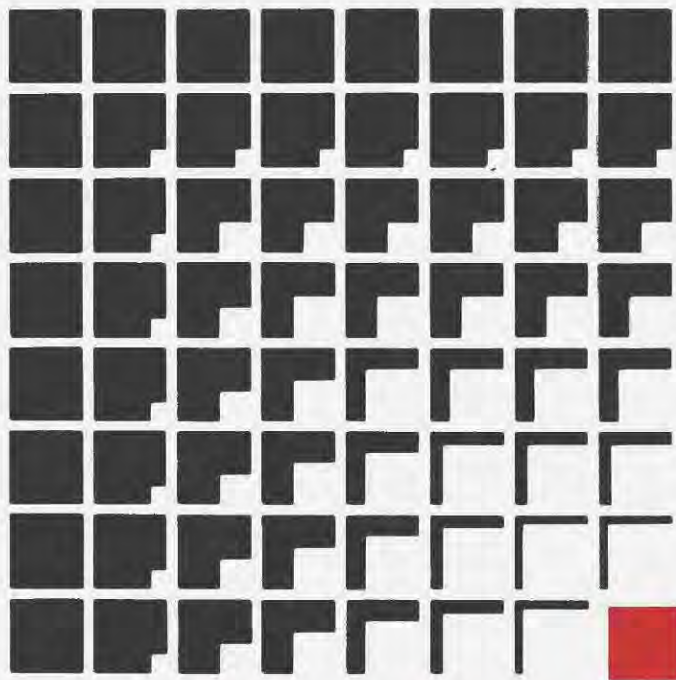
The vendor has appointed eight users to the CRIS Advisory Council and added two non-voting members from Georgia universities to help encourage risk management as a profession, Ms. Cardile explained.

The council, which was established in May 1985, meets three times annually. Its aim is to provide "innovative and realistic advice and counsel to CIGNA while representing the global risk management community," she said, quoting from its written statement of goals.

And while both vendors and risk managers are generally enthusiastic about user groups, there can be disadvantages for risk managers who belong to user groups.

"If you are going get any good out of it, you must be serious about

Continued on page 20



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User groups

Continued from page 18
your commitment," Ms. Bucklin said. "It takes time and, if you are really sophisticated, you give more than you get."

A problem that user groups generally may face is that some users get too "up-tight" about confidentiality and are not very willing to share information, she added.

Another concern is that a user group has the potential to become pep rallies for a vendor's products.

While sources interviewed acknowledge the potential for that, they say vendors are sensitive to that concern and it has not been a problem.

Some sources also feel risk managers involved in user groups should be concerned about who foots the bill for the gatherings.

Pillsbury's Ms. Bucklin said, "The more the vendor pays, the less freedom the user group would

feel to be at odds with the vendor. "I think shared expenses makes the most sense," she said.

Of the vendors interviewed for this article, both Corporate Systems and CIGNA's CRIS generally pay all expenses for most of their user groups members, spokesmen said. However, Georgia's Mr. Newsom pointed out that the state requires that he pay his transportation costs and most of his expenses.

Travelers' user group members pay only their own transportation expenses. Only Risk Sciences plans to have users pay not only travel expenses but also a conference fee.

While RMIS user groups are becoming popular, not all vendors think they are necessary.

Nancy Mullins, account executive with Anistics Inc. of New York, a subsidiary of broker Alexander & Alexander Inc., said her company has not started a user group. Anistics' very decentralized operations already allow for a high level of contact between account executives and clients, she said.

In addition, a user group may not be cost-effective for a vendor with a large number of personal computer users, Ms. Mullins added.

Anistics' client base also includes a wide range of different types of users that inhibits cohesiveness, she said.

A diverse client base is one reason why Livonia, Mich.-based SOFTEC has not established a user group, said President Mark E. Dorn. While the vendor has had group meetings, they have been primarily for training, he said.

However, Mr. Dorn said he thinks SOFTEC probably will establish a formal user group.

Frank Amatelli of National Risk Management Inc. said most clients seem to have their RMIS operations well under control and did not see a need for a user group.

His company keeps on top of client needs through personal contact and a company newsletter, he added. The vendor's responsiveness to clients was highlighted by its development of two systems for which clients expressed a need so they could monitor rather than administer operations, he said.

While user groups can provide a helpful forum for risk managers, they are not the only means of providing feedback.

Some vendors and user groups foster networking among users by providing them with a list or directory of clients and, sometimes, the programs they use.

Another potential forum for risk manager input about information systems is a national standards committee that planners have been working on for a year and hope will be established in the early fall, according to Tracey Carragher, senior vp with Alexander & Alexander in Greenwich, Conn.

The aim of the group—which is expected to include users, vendors, insurers and consultants—is to produce technical standards for RMIS equipment and standards for RMIS consultants, she said. It will be headed by an eight- or nine-member steering committee.

Ms. Carragher hopes that the group could eventually become a part of the Risk & Insurance Management Society.

Interestingly, RMIS user groups are less developed than similar groups for employee benefit information systems (BI, May 26). However, there is no ready explanation why, Tillinghast's Mr. Blinn said.

One explanation could be that benefit managers have a greater volume of claims and hence a greater need for automation, he said. However, an RMIS tends to allow for more system analysis and usually has the capability of producing more complex reports, he said.

Another reason could be that RMIS applications are more varied than are EBIS applications.

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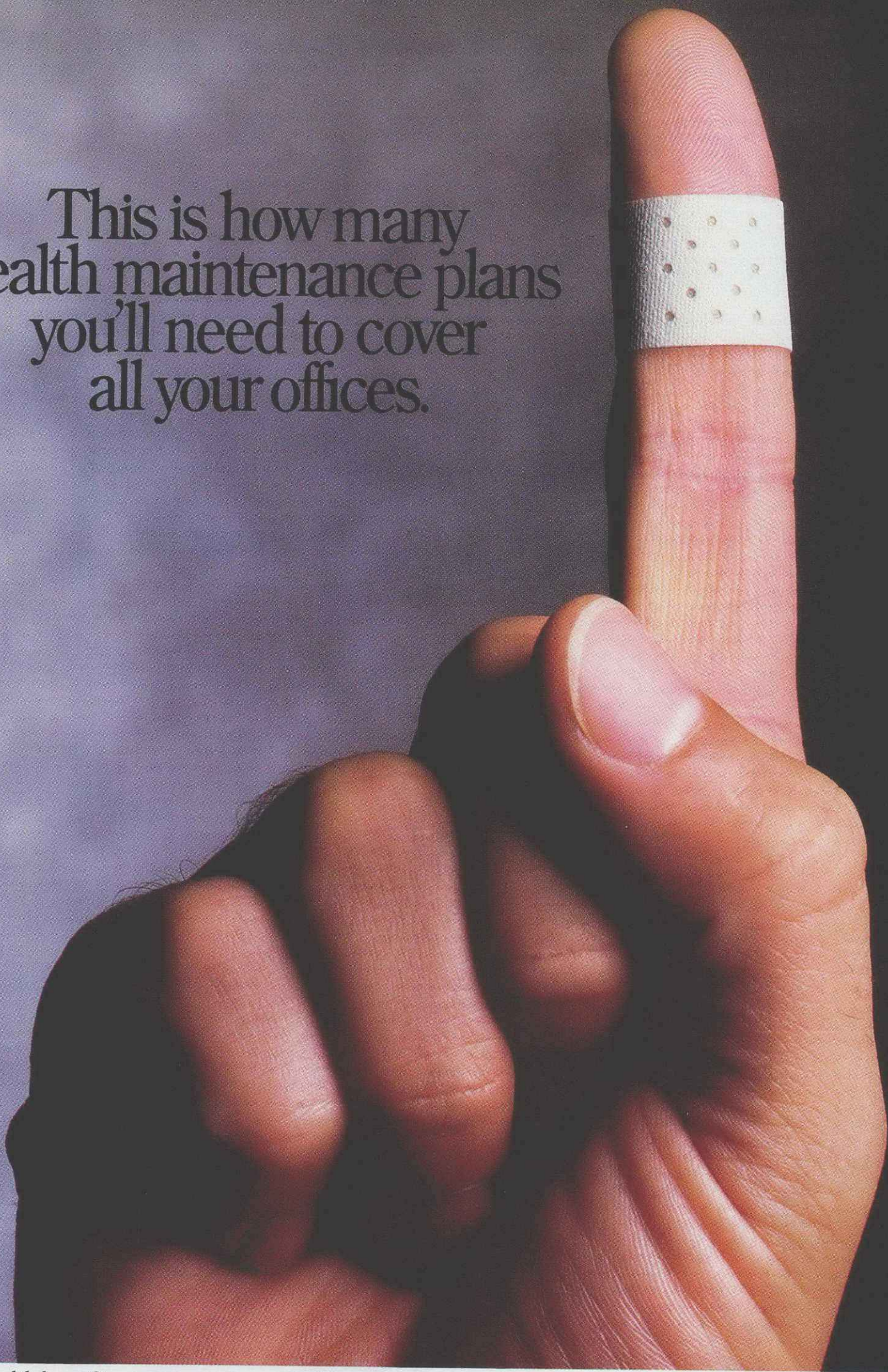
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Cost allocation part and parcel of RMIS

By MICHAEL BRADFORD

Allocating the cost of risk accurately—and fairly—to separate operating units is one of the primary reasons for developing a risk management information system, according to experts who design and use these high-tech tools.

"Premium allocation was part and parcel of our entire concept of developing a system," says Richard Inserra, managing director of risk management for American Can Co. in Greenwich, Conn., which completed its risk management information system 2½ years ago.

Using an RMIS enhances the effectiveness of allocating corporate insurance and loss costs to operating units with the goal of giving them incentives to control their

losses, risk managers say.

"One of the biggest advantages is being able to charge operating units a premium based on their loss history," explains Ralph F. Perry Jr., vp of risk management for Amfac Inc. in San Francisco.

Using loss history, instead of just an exposure base, encourages safety management programs that can reduce losses and produce lower premiums, risk managers agree.

Before the development of RMIS cost allocation programs, most risk managers allocated premiums to operating units based on revenues, or some other measure of exposure, risk managers say.

"In the old days, most (premiums) were spread on a revenue base," said Eben Jones, risk and

'You don't always have control over losses,' points out William Kuebler of Adjustco.

loss control manager for Rollins Inc. in Atlanta. That allocation system had "no regard for who was having the most losses. It was just who could afford the largest amount," he commented.

Now, many companies, including Rollins, base cost allocations on loss experience and some measure of exposure, with the aid of an RMIS.

Cost allocations based partly on

loss experience can be manually calculated, but it is much more time-consuming and often less accurate.

In determining cost allocations, "there is a definite move to using actual experience in the formula, rather than strictly using exposures," observes William Kuebler, senior vp with Adjustco Inc. in Tarrytown, N.Y., a claims administrator and adjuster.

Charging divisions for insurance based on their losses is "consistent with the role of a risk manager. He is in the role of an insurance company," he said.

Cost allocations based partly on loss costs represents an effort to achieve better loss control "by charging people according to their actual loss experience," says Mr.

Jones of Rollins.

Rollins, which largely self-insures its exposures, determines cost allocations based on loss data collected over three years of a division's operations and a measure of exposure.

Rollins contracts with Crawford & Co. and Underwriters Adjusting Co. for computer services to assist in the premium allocation.

American Can modified its cost allocation based only on exposure when it installed its IBM PC-based system. American Can uses software provided by Anistics Inc. and a Lotus 1-2-3 program to allocate general liability and product liability premiums based on a combination of exposure and experience-related data.

American Can's system will track five years of claims frequency and severity, Mr. Inserra noted.

American Can's method of allocating costs among around 20 divisions involves "rewarding divisions with lower premiums when losses are favorable, while penalizing them if losses go up."

"When you can penalize a unit for losses, it is a very definite incentive" to control losses, Mr. Inserra said.

At Amfac, where premiums are allocated to hotel, food products, retailing and other divisions, allocations also are based on loss experience and exposure.

Surcharges or credits are applied to a division's allocation based on experience.

Amfac's system began as one structured to record claims data, but evolved to permit the company to allocate premium costs for workers comp, general liability and automobile liability exposures.

Premiums are based on 3½ years of a unit's past claims history, with some regard to the amount of exposure the division holds. Exposure is generally determined by payroll. That way, says Mr. Perry, "if they have a good loss record, they still have to pay premiums" for their coverage.

Amfac charges a division its workers comp premium based 80% on its loss history and 20% on exposure, measured by payroll.

General liability premiums are assessed 70% on experience and 30% by payroll.

Automobile liability premiums are calculated 60% according to losses, while 40% of the premium is related to the number of covered units in a division.

Amfac's RMIS is run on IBM terminals tied into a support system at the Amarillo, Texas, facility of Corporate Systems Inc.

In addition to the Texas linkup, Amfac uses a new line of software called Quaestor, produced by Ray Stephens in Danville, Calif.

At San Francisco-based Levi Strauss & Co., the cost allocation system not only charges divisions for workers compensation coverage based on loss experience and exposure but also adds another dimension to create incentives to control losses.

After Levi Strauss determines what divisions must pay for workers comp coverage, it creates an "extra pool for loss control credits," explains Cristina Haley, director of risk and insurance management.

The program encourages divisions to improve safety management and reduce injuries by offering premium credits if certain criteria are met.

To become eligible for credits, a division must hold 10 loss control meetings and two emergency evacuation drills.

At that point, divisions are reviewed and issued a letter grade of

Continued on page 24

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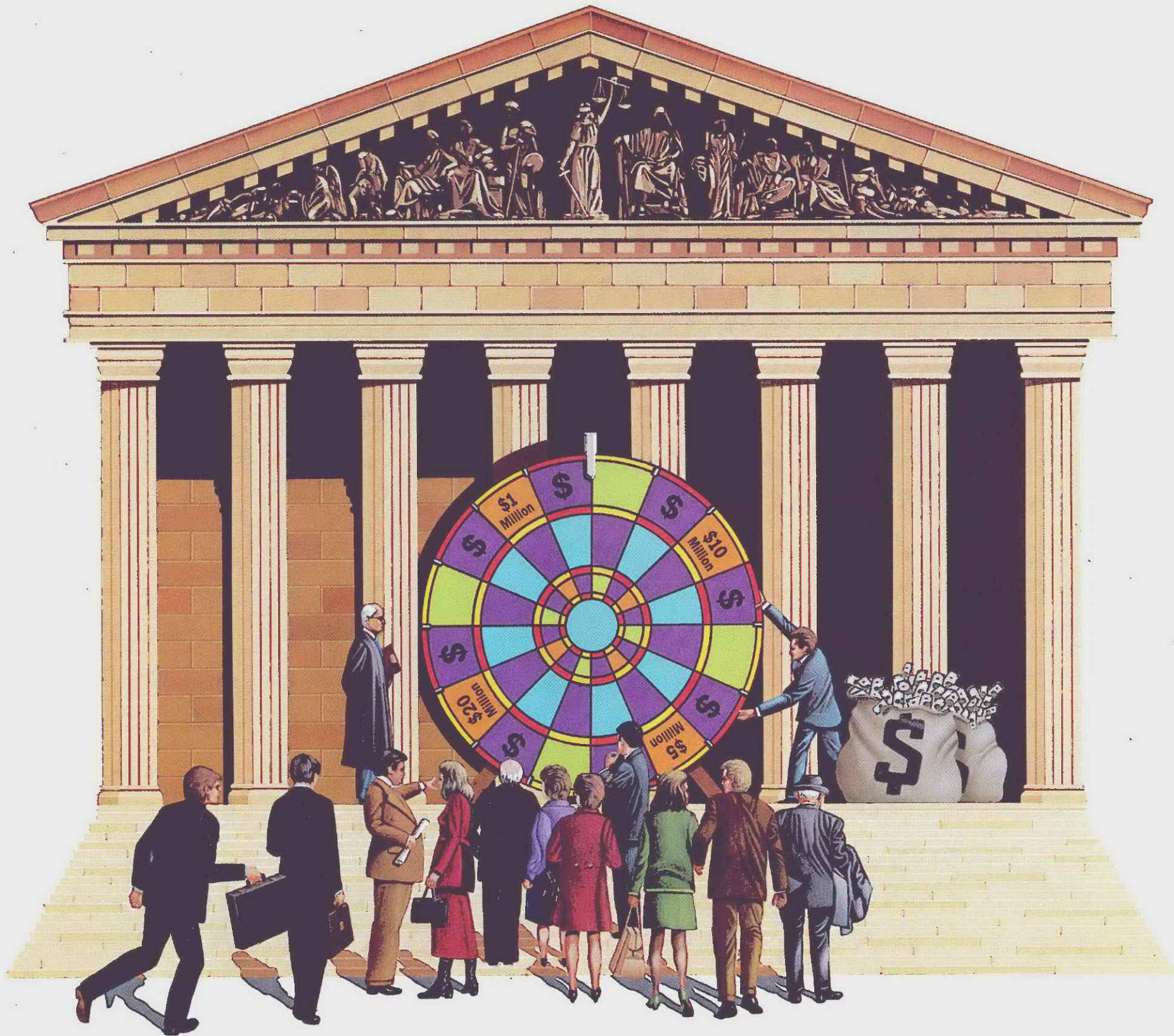
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Cost allocation

Continued from page 22

A, B, C or D. The grade determines how much of a workers comp premium credit the division will receive. The grade is based on several factors, including:

- Compliance with recommended health and safety recommendations.

- Claims experience based on frequency, severity and improvement from the prior year.

- Whether special projects were enacted to create loss prevention awareness.

- Implementation of programs like back-care and hearing conservation efforts.

Levi Strauss ties into the mainframe computer of its broker, Fred S. James & Co., to allocate workers compensation costs. Lotus 1-2-3, run on PCs in the risk management department, is used to allocate other property/casualty premiums.

Cost allocation systems generally meld loss-experience and exposure to determine premiums, capping large losses and providing for at least some minimum premium if there are no losses.

Certain caps on losses for determining charges are used by Follinscott that a division with particularly bad losses won't be devastated by an incredibly high premium assessment, explains Mr. Jones.

At Amfac, "most profit centers have to pay for their own losses," said Mr. Perry, but losses are capped to determine future charges. That's fair, he says, because "we always have a bad loss every year—we just don't know who is going to have it." So, the divisions share in the cost of large losses.

"You don't always have control over losses," points out Adjustco's Mr. Kuebler.

And while experience may be emphasized, exposure can't be ig-

nored in an allocation formula.

Mr. Inserra explained that some business units may not have a loss experience and "if premiums are based on experience, there would be no charge. So somebody may have to pay something based on exposure."

Allocating the cost of some insurance policies based on loss experience also is not practical, notes Arthur Parry, manager of risk management services with The Wyatt Co. in Dallas. He cites directors and officers liability insurance as an obvious example.

To make cost allocations based partly on loss experience effective, the premium allocations have to be accurate and division management must view them as accurate, risk managers agree.

Computerizing cost allocation calculation provides the needed controls to produce accurate results, Mr. Inserra says.

"There are more checks and balances," he explains. "The spreadsheets have to add up across and down or the computer sees an error."

"Divisions don't like paying for each other's losses," stresses Amfac's Mr. Perry. A computerized system of allocations is "more accurate because it keeps better records."

And, handing a division manager a computer printout, rather than a manually prepared allocation, is a helpful communications tool, Mr. Perry points out.

"The fact that they can look at the different documents and end up confirming the numbers is very meaningful. The printed document is valuable."

Now, Mr. Perry wants to take Amfac's system another step. "We're in the process of trying to allow our profit centers to go into the system and pull out their own claims data."

Amfac is aiming to soon give its divisions the ability to tie into the company's RMIS through their own personal computers. With that capability, separate units will be able to abstract claims data.

Amfac's closed claim file also keeps data available for reference, "like when the IRS wants to confirm something," Mr. Perry noted.

Some companies, however, have managed to implement experience-based cost allocation on a manual basis. Subaru of America Inc. in Pennsauken, N.J., has manually allocated premiums to its six divisions based on loss experience. Now, the company is installing a Wang system-based RMIS to allow the car-maker to jump from the task of manual allocations to spreading the cost of risk by computer, said a spokeswoman.

The system is expected to be online around the end of the year.

At the University of Tennessee, however, there are no plans to change the manual calculation of premiums for its satellite campuses and two hospital subsidiaries.

Murray Edge, director of risk management at the university's Knoxville campus, said allocations can still be handled manually "without too much difficulty."

He points out, "We might spend more time writing programs and maintaining a data base than we would doing it on a manual basis."

While the university's 18-month old RMIS would accommodate accounting programs to assist in the premium allocation, the university is more interested in using its RMIS to gather loss data used to manually calculate the premiums.

Computerized allocation systems aren't going to help every business, points out Wyatt's Mr. Parry.

"If you don't have a lot of losses, you don't need a sophisticated system," Mr. Parry remarked. "But if you're talking about 25 or more divisions, five or more lines and a half million in coverage—you do need one."

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Picking right RMIS hardware is no game

By AVRA WING

NEW YORK—Risk managers selecting risk management information systems are playing a version of “eeny, meeny, miny, mo” that goes “micro, mini, mainframe.”

And, for most departments, a micro—more often referred to as a personal computer—linked to a mainframe seems to be the winning combination, consultants and vendors report.

Personal computers include such models intended for business applications as the IBM XT, AT or the newer RT, or systems made by Compaq or a host of other vendors.

Some companies select minis, which have more memory and faster access times, meaning they can handle more data and spill out in-

formation in less time than the personal computer.

IBM minis include the System 36 and 38; various other models are made by the Digital Equipment Corp., Sperry Corp., Wang Laboratories Inc. and Integrated Business Computers, among others.

Mainframes are the largest and most powerful computers, but also are considerably more expensive than even a so-called supermini. Models include the IBM 3180 and the DEC 2060.

Only a very few corporations use a separate mainframe exclusively for risk management functions. Most corporations use only a portion of the mainframe's capacity for risk management, sharing the computer's capacity with other corporate operations.

Most people seem to find a personal computer more user-friendly than a mini or mainframe.

The risk management software on the market is available at these three levels of computer sophistication, and before deciding which of the three types of equipment to choose, several factors must be considered:

- How many people will use the system?
- How many claims will be processed and stored on the computer?

• How fast must data be obtained and analyzed and reports generated?

Another factor that should be considered is the “psychology” of the risk manager's company: Is the risk management department allowed to operate independently in a stand-alone computer environment, or do the company executives want the risk management function and data tied into the company's mainframe?

The risk management staff's level of expertise also must be considered. Most people seem to find a personal computer more user-friendly than a mini or mainframe.

A general rule of thumb seems to be that smaller businesses would find the personal computer to be most cost-effective, while larger

concerns would need a mini, supermini or mainframe.

However, if a smaller company is involved in a high-risk industry, or a bigger company in a relatively risk-free one, they might prove exceptions to that rule.

Risk managers should survey all the available types of systems, advises John Huecksteadt, vp for computer services at systems vendor Risk Sciences Group in Atlanta.

“Companies should take advantage of both ends of the available software—from PCs through mainframes,” he said.

Mr. Huecksteadt pointed out that, depending on need, a company could wind up spending less on an off-site mainframe service than on setting up a PC-based system in-house.

But most risk management departments are using personal computers, consultants and vendors report.

“It's a huge trend,” says Rick Hall, executive vp at Anistics Inc. in New York, the software division of Alexander & Alexander Inc. “It's all over the place.”

Mr. Hall attributes this to a number of factors:

- The availability of software at the PC-level for such applications as loss forecasting, policy tracking and cost allocation.

- The growing ability of personal computers to accommodate more users and store more data.

- The relative ease with which personal computers can be used by non-specialists.

- The lower cost of the systems compared with minis and mainframes.

Personal computers are being used in two ways—either as stand-alone systems storing and manipulating all claims data, or as terminals linked to an in-house or off-site mainframe.

In the latter case, the data can be uploaded from the PC to the mainframe or downloaded to the PC, where various analytic programs can be run on it. The PCs also can be used to access minis.

Scott Gilmour, vp of marketing at software vendor Corporate Systems in Amarillo, Texas, estimates that most risk managers—about 70%—are using PCs linked to a mainframe. Another 20% are using PCs in a stand-alone environment, and the remaining 10% are using minis, he said.

The percentage of risk managers using minis is growing, Mr. Gilmour indicated, as the minis become upgraded and more people become aware of their capabilities.

The actual equipment being used at the PC level is usually one or several IBM XTs, or the more powerful ATs. The cost of the systems varies considerably depending on the type and number of peripherals configured with them.

The XT now retails for approximately \$2,000 and the AT for \$4,000, depending on configuration, but IBM recently announced price reductions for its PC line.

Mr. Hall postulated that a typical Fortune 500 risk management department would use two XTs and/or ATs. In addition, a printer and modem might be configured with the computers, and the system might be hooked up to a mainframe located at the equipment vendor via dedicated lines.

In number of claims processed, the effectiveness of the PC models, operating as independent systems, peaks at between 500 and 700 claims a year, or 2,500 to 3,500 total claims, considering that at least five years of data usually would be stored in the system.

While the systems actually could

Continued on page 28

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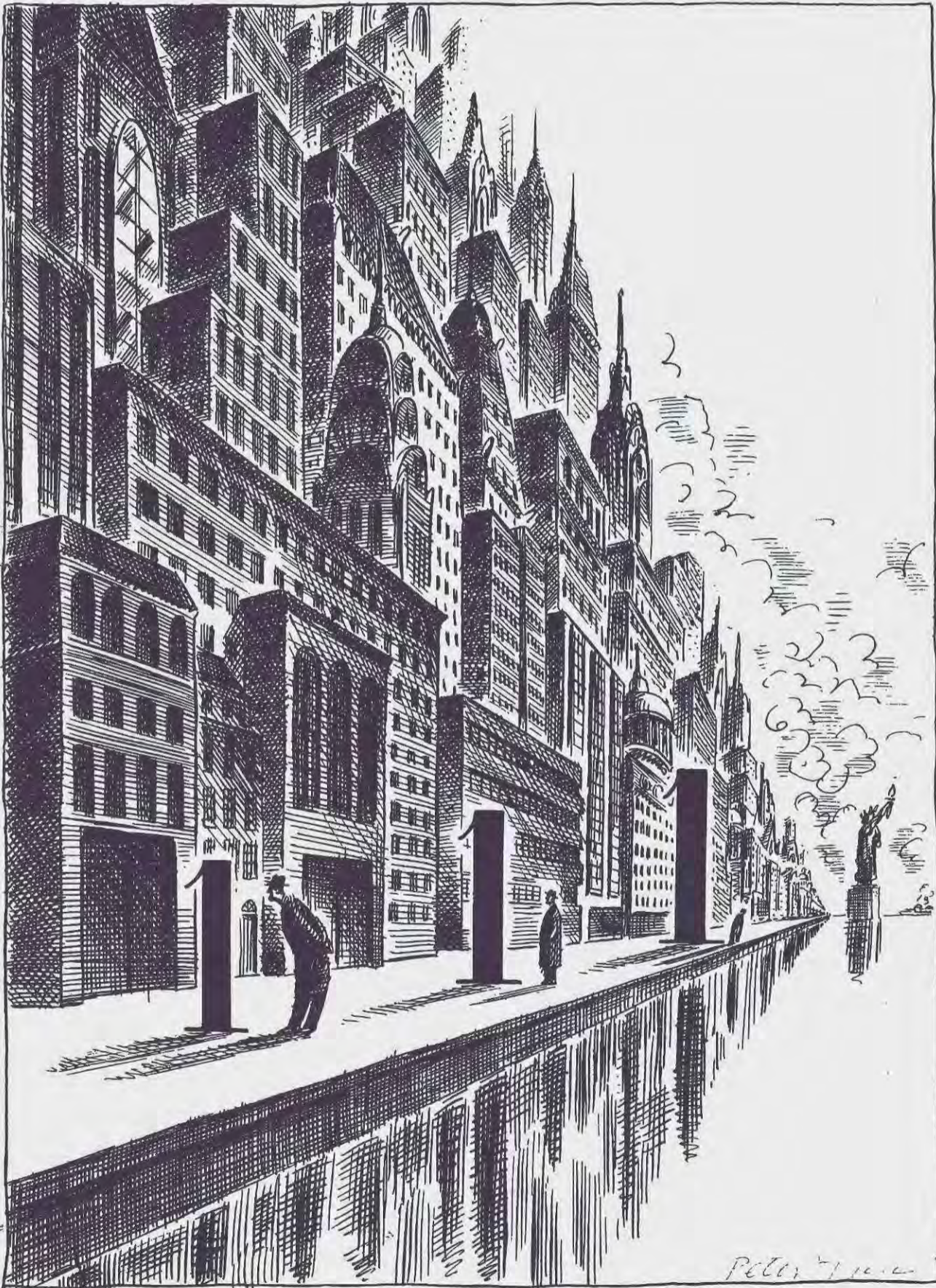
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RMIS hardware

Continued from page 26

hold more claims information, processing time is increased if the PC's capacity is being used to store a larger amount of data, making the personal computer inefficient to use.

At American Can Co. in Greenwich, Conn., Richard Inserra, managing director of risk management, said his department is using one PC XT for data analysis, tied to an off-site Anistics mainframe.

Three staff members share the XT, Mr. Inserra noted, and while he feels the system satisfies his needs, he plans to add one or two other PCs.

The American Can system, which was completed 2½ years ago, handles between 2,500 and 3,000 claims annually, Mr. Inserra said. The Anistics mainframe stores a five-year claims database.

The PCs are able to accommo-

The Port Authority of New York & New Jersey is looking to go from 'pencil and paper' to a stand-alone system using networked PCs possibly tied to a small mini, according to Nelson Chanfrau, assistant risk manager.

date between nine and 16 users, noted Frank Amatelli, president of software vendor National Risk Management Inc. of San Ramon, Calif.

The PCs operate most effectively with up to five users, Mr. Amatelli added.

For departments with more than five users, therefore, or for those that must store more than 3,500 claims, a mini computer might be the answer.

The Times Mirror Co. in Los Angeles is in the process of setting up a risk management system using

two XTs linked through a modem to an IBM mainframe recently purchased by the corporation, according to Sharon Urban, assistant risk manager.

The company needs storage capability for approximately 5,000 claims, or a five- to 10-year history, Ms. Urban noted.

Ms. Urban also helped set up a similar PC-to-mainframe system at G.D. Searle & Co. in Skokie, Ill., several years ago.

At Georgia Pacific in Atlanta, the risk management department is setting up a system of PCs tied to

an off-site mainframe located on the premises of Risk Sciences in the same city, according to Esther Dunn, risk management office supervisor.

Specifically, the company will be using two XTs, three Compaq personal computers and one Compaq portable computer tied via a dedicated line to the Risk Sciences mainframe.

Seven people will use the system, Ms. Dunn said, which she hopes will be up by Oct. 1.

She estimated the hardware costs at \$22,500, which included the terminals, dedicated line and connectors.

On the other hand, the Port Authority of New York & New Jersey is looking to go from "pencil and paper" to a stand-alone system using networked PCs possibly tied to a small mini, according to Nelson Chanfrau, assistant risk manager.

The port authority is self-insured and administers its own claims, Mr.

Chanfrau noted. About 3,000 claims a year, mostly workers compensation, are handled, and the system must have a five-year storage capability for a total of 15,000 claims.

Mr. Chanfrau said he needs a self-sufficient system that can accommodate between 16 and 24 users. He plans to buy the same number of PCs.

His budget, for hardware and software, is \$125,000. He hopes to have the new system in place in the fall.

Depending upon the particular mini, between two and 200 users can be accommodated, according to Ralph Flygare, vp of California Interactive Computing in West Hollywood, a system supplier at the mini level.

Costs run from \$8,000 per computer to \$500,000 for a high-end supermini, he said.

CIC's clients are large employers, Mr. Flygare said, with workforces of between 200 and 10,000. The number of claims processed each year and the number of employees and their dependents were factors in why those companies had chosen minis for their risk management departments, which also process employee benefit plan claims.

Although these businesses could use mainframes because of their large claims loads, the minis provide them with a highly interactive, real-time system, Mr. Flygare commented.

With all the demands placed upon a company's mainframe, response time is "degraded," he noted.

The storage capacity of minis is "huge," he added, indicating that more than 100,000 claims could be handled by a mini.

Corning Glass Works in Corning, N.Y., uses an in-house-developed, mini-based system with three terminals accessing an IBM System 36, according to corporate risk manager J. Victor Bowman.

Mr. Bowman's department uses the system primarily for product liability claims, which average between 500 and 1,000 a year. Fifteen years of claims are stored on Corning's system, he said.

At Redwood Empire Municipal Insurance Fund in Sonoma, Calif., which manages workers compensation, liability, health, disability and life insurance claims for 14 cities, an Integrated Business Computer mini has been in place for the last two years.

A six-person department manages the fund through four terminals hooked up to the IBC system, according to Frank James, general manager.

About 1,000 claims a year are processed, Mr. James said, and a six-year history is currently on the system.

He said the system, which also includes two printers and a modem, works very efficiently, and that the fund chose a mini instead of a mainframe because of equipment costs and capacity needs.

Hardware costs were approximately \$20,000, Mr. James indicated.

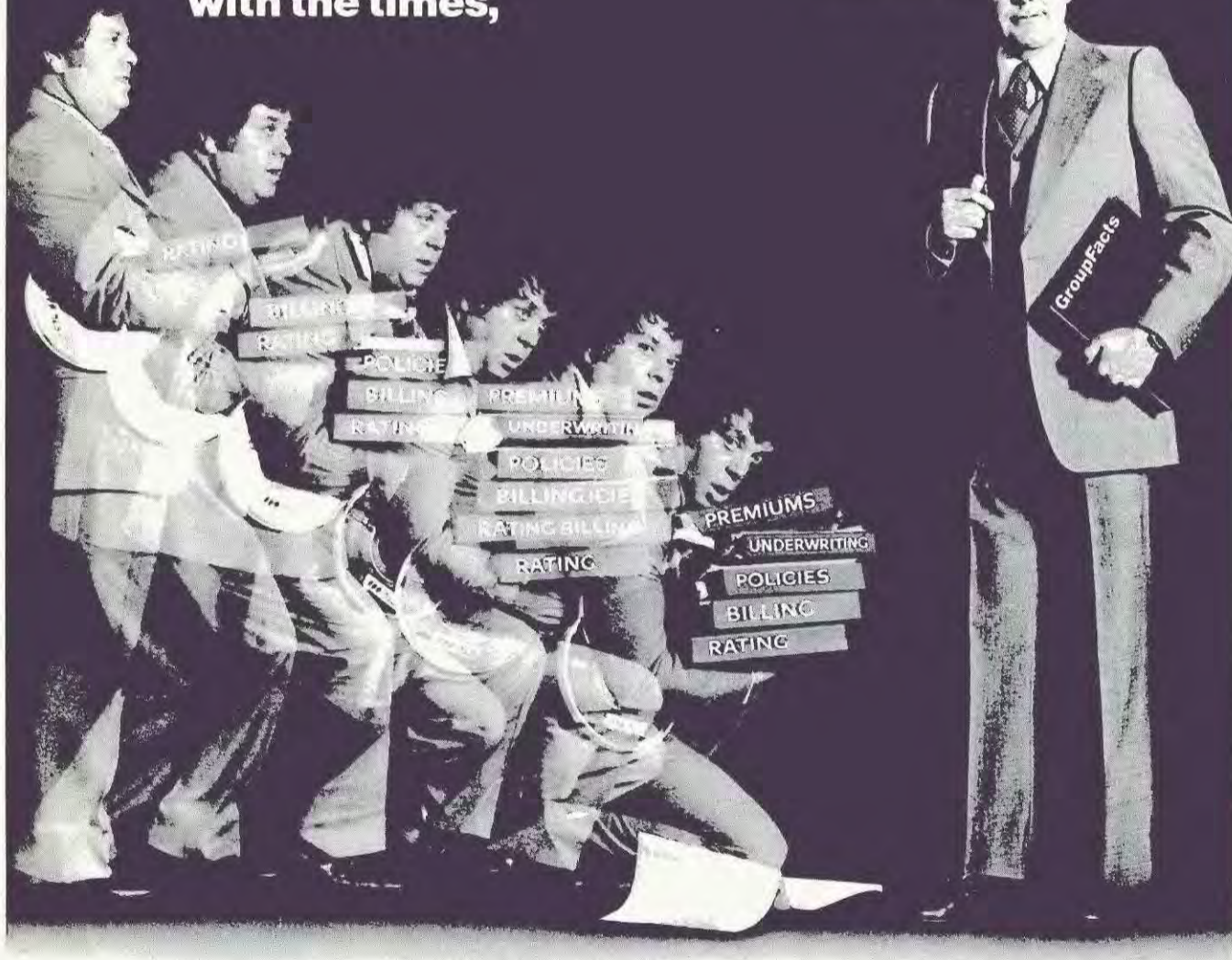
If a company prefers central control of risk management information, however, a mainframe would be the choice if a large number of claims needed to be processed, according to marketing representative Jack Bergers of Softec Inc. of Livonia, Mich., a software producer.

And, if a large company has more than 200 people accessing the risk management information, a mainframe is needed, according to Mr. Amatelli of National Risk Management.

He cautioned, however, that if the mainframe uses a batch processing method, in which inquiries are bunched together before being run through the computer, processing time could be slower than that possible with a less-powerful system.

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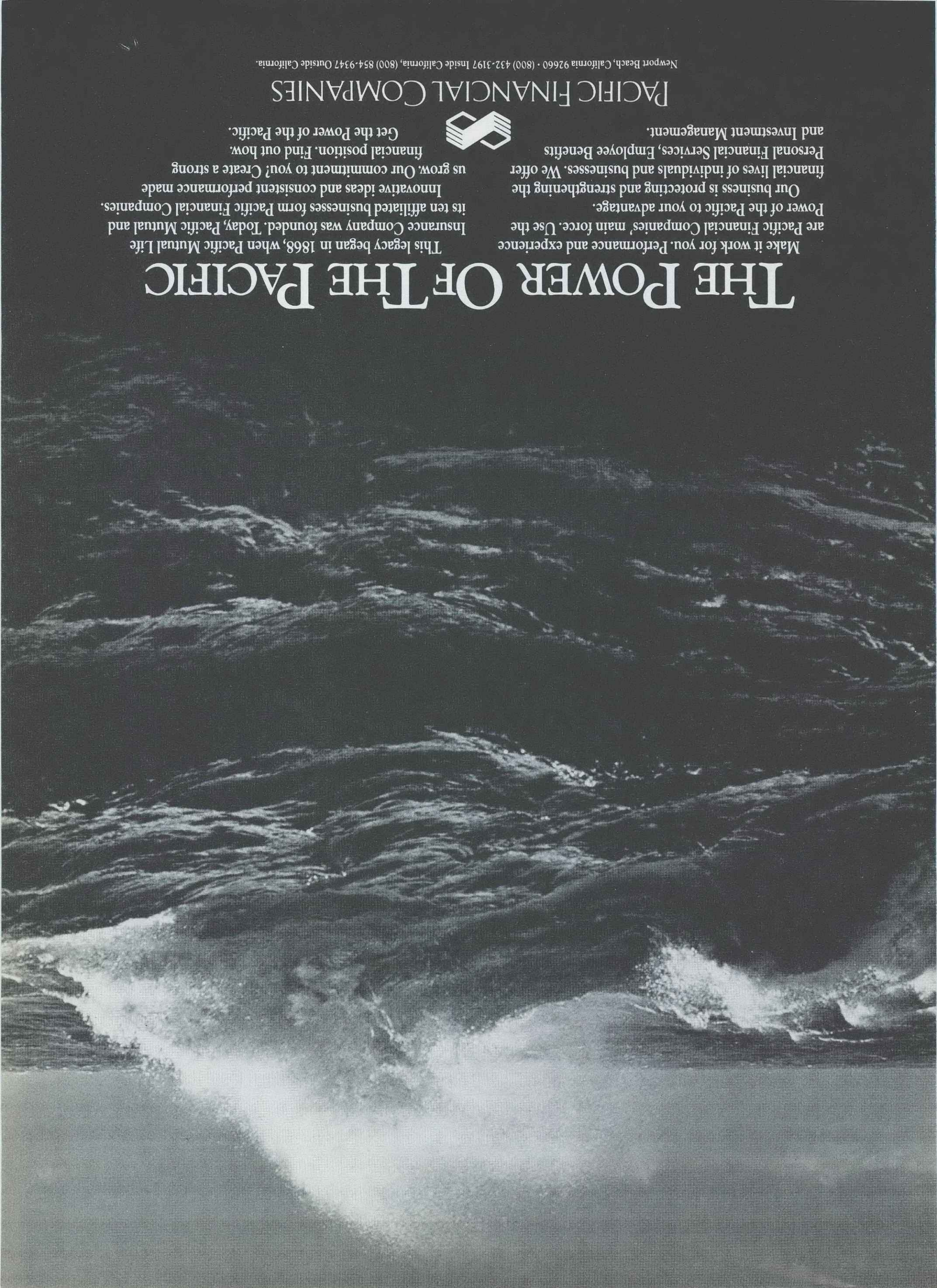
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Security is high priority in screening RMIS

By AVRA WING

NEW YORK—Security—preventing unauthorized persons from gaining access to confidential information—is a high priority for risk managers when choosing a risk management information system.

Companies need to guard against not only people from outside the business tapping into the system, but also against unapproved personnel within the company from accessing and changing the data.

The problem of security is one that sometimes makes companies "hesitant to automate," pointed out Jack Bergers, a marketer for systems house Softec Inc. in Livonia, Mich.

Even if security isn't a priority for a risk manager when he or she

is putting a system on line, it should be a concern when data is added to a pool of other company information, says William Holtsnider, a marketer with systems vendor Helmsman Management Systems Services in Boston, a division of Liberty Mutual Insurance Co.

This is especially true, he says, when the risk management information system is linked to a mainframe used by the entire business.

The need for security exists with computer systems of all sizes—mainframe, mini and personal—although the smaller systems have fewer users and probably are used exclusively for risk management.

On the other hand, according to John Huecksteadt, vp for computer services at systems vendor Risk Sciences Group in Atlanta, more

Security concerns sometimes make companies 'hesitant to automate,' notes Mr. Bergers.

security measures are possible on a mainframe than on a smaller system, making it harder to break into the larger system.

"A mainframe is a Temple of Doom," he commented.

Mr. Huecksteadt termed security "a very real concern" that his company must address each week when working with clients.

Security is one of the main con-

cerns in choosing an RMIS, agreed Nelson Chanfrau, assistant risk manager for the Port Authority of New York and New Jersey, who is in the process of setting up an RMIS.

Mr. Chanfrau requires that the system have several levels of security for making changes in loss reserves and payments, for example, and that certain staff members be able to input only certain fields.

Physical considerations, as well as software safeguards, are an essential part of security, vendors and users point out: How are floppy disks, hard disks and backup packs—all holding claims data—stored? Where are the terminals or computers located?

In other words, locks are the first defense against having unauth-

orized people, whether inside or outside the company, getting into the information.

Although there don't seem to be any security measures specifically designed for risk management software, basic methods—such as passwords and identification codes—are an intrinsic part of the programs and can be tailored to limit entry in a variety of ways, according to John Roskopf, a consultant with Towers, Perrin, Forster & Crosby in Chicago.

Passwords can be changed every month or so, Mr. Roskopf noted, to help reduce the chances of unauthorized persons learning them, or former or transferred employees attempting to access the system.

In-house-developed systems occasionally can pose problems because they "use data-base management tools that a lot of people are familiar with," Mr. Bergers at Softec noted.

Mr. Holtsnider said Helmsman's Risktrac system has about half a dozen different levels of security for both the mainframe and mini-computer versions.

Using the various measures, he explained, access can be controlled first by geography—for example, so that a particular branch office or company division would be able to get into data pertaining only to that office or division.

"There is some claims data that is particularly sensitive," Mr. Roskopf commented.

"You may not want one division to know what another division's losses are."

Mr. Huecksteadt agreed that large corporations are concerned "with preventing Subsidiary A from getting into Subsidiary B's data."

A similar need occurs when a central agency is handling claims for numerous clients. The Texas Municipal League in Austin, for example, has 650 cities on its roster. While every city has access to overall statistics for the group, no city can call up the individual data for any city but itself.

In addition, entry can be limited by department, according to Scott Gilmour, vp of marketing at Corporate Systems in Amarillo, Texas. For instance, the safety department might be able to enter certain statistical information on claims but no financial data, he said.

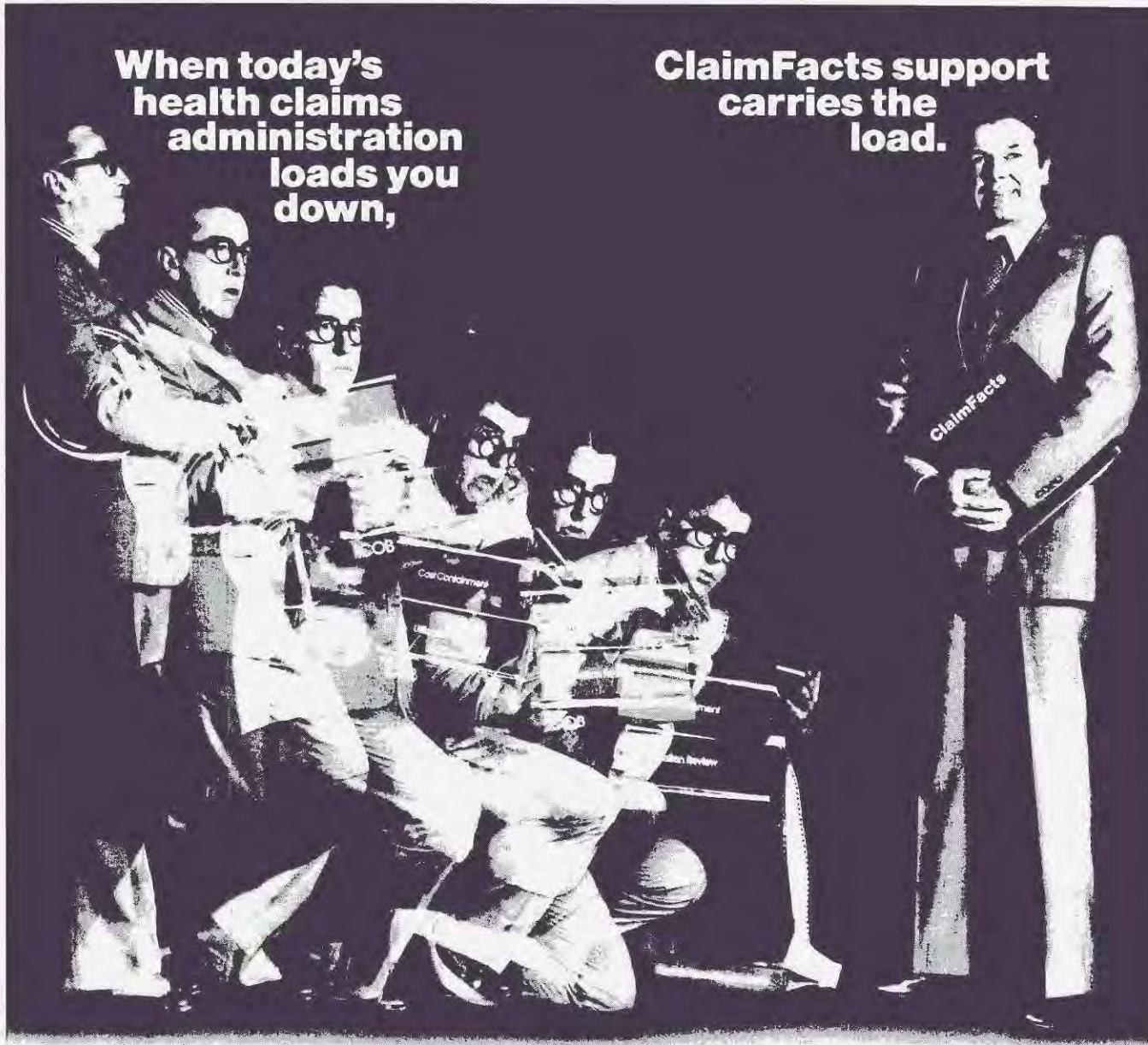
Another way of structuring access is by hierarchy, which might mean that only personnel at a high level would be allowed to access certain information. Each level of staff, from executive to clerk, could be authorized to see specific types of data.

Certain fields can be blocked to certain personnel, Mr. Huecksteadt at Risk Sciences explained, giving reserves as an example.

Mr. Holtsnider at Helmsman noted that access could be even further restricted by defining what an employee can do with the information that he or she has been allowed to enter. For instance, someone can be cleared to look only, whereas someone else might be authorized to both look and add or change data. This could be further refined to specify what sort of changes each staff member is allowed to make.

"Only certain people can make reserve changes," referring to the company's combination PC and mainframe system, "and certain people can make only claims changes," said Esther Dunn, risk management office supervisor at Georgia-Pacific Corp. in Atlanta.

Also, a person might be able to enter certain information, but not to get readouts of it, noted Ralph Flygare, vp of systems vendor California Interactive Computing in West Hollywood.



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Risk management information system directory

a

A & S Consultants Inc.

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

Year founded: 1978.

Software products:

• **RISKWATCH Workers Comp:** \$495; unbundled hardware and software; personal computer; available in 1985; functions include OSHA logs, safety and repeated claims reports.

• **RISKWATCH General Liability:** \$495; unbundled hardware and software; personal computer;

available in 1986; functions include litigation and safety reports.

• **RISKWATCH Auto:** \$495; unbundled hardware and software; personal computer; available in 1986; functions include experience and repeat accident reports.

• **RISKWATCH Property:** \$495; unbundled hardware and software; personal computer; available in 1986; functions include experience and valuation reports.

Staff: Seven total staff members, all of whom are professionals.

Gross revenues: \$400,000; 90% from software, 10% from services.

Principal officers: Carol Nashawaty, president; Nancy Schwartz, vp.

Ability Information Systems Inc.

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

Year founded: 1981.

Software products:

• **LTD Problem Solver:** unbundled hardware and software; mini-computer; first installation, 1981; 10 risk management department installations; 150 total installations; functions include automation of social security disability adjudication, rehabilitation, job matching and placement.

Staff: Nine total staff members, seven professional staff members.

Clients: 150 total clients; 10 risk management department clients;

80% with gross revenues under \$200 million, 10% \$200 million-\$500 million, 7% \$500 million-\$1 billion, 3% exceeding \$3.5 billion.

Gross revenues: Not reported.

Principal officers: Charles Starbuck, president; George Waters, executive vp.

Adjustco Inc.

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

Year founded: 1981.

Parent company: Frank B. Hall & Co. Inc.

Software products:

• **Prism:** \$35,000; unbundled hardware and software; personal computer; first installation, 1984; 28 risk management department in-

stallations; 114 total installations functions include claims processing and risk management.

Staff: 30 total staff members, five professional staff members.

Clients: 114 total clients; 28 risk management department clients; 36% with under \$200 million in gross revenues, 18% \$200 million-\$500 million, 14% \$500 million-\$1 billion, 11% \$1 billion-\$3.5 billion, 21% exceeding \$3.5 billion.

Branch offices: Maitland, Fla.; Chicago; Dallas; Santa Clara, Calif.; Briarcliff, N.Y.

Gross revenues: \$2.5 million; 35% from hardware, 20% from software, 45% from services.

Principal officers: T.V. Hallett, chairman/chief executive officer; W.E. Kuebler, senior vp.

Anistics Inc.

640 Fifth Ave., New York, N.Y.
10019; 212-541-6050

Year founded: 1970.

Parent company: Alexander & Alexander Services Inc.

Continued on page 34



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How to use directory

The first directory of risk management information systems published by *Business Insurance* includes information on companies that produce and supply proprietary software products to corporate risk management personnel to fulfill their information system needs.

When noted, companies supply their risk management information system products only in conjunction with other services, such as third-party administration.

Company listings begin with the year founded and parent company, if any.

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

Information on staff, clients, branch offices, 1985 gross revenues and names and titles of principal officers complete the listings.

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

If your company provides risk management information system software and you would like to be included in the 1987 directory, please write Marilou Jones, Directory Editor, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611; or call 312-649-5279.

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

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Continued from page 32
Software products:

• **ARIS***: \$5,000-\$175,000; time sharing, software also available separately; time sharing requires personal computer, mainframe runs software; first installation, 1979; 150 risk management department installations; 600 total installations; supports risk management functions including claims administration, payment processing, quantitative analysis, reporting; corporate clients include Union Pacific Railroad, city of San Francisco, American Can Co., FMC Corp., Olin Corp., Purity Supreme Inc.

• **Personal ARIS***: \$775-\$7,675; unbundled hardware and software; personal computer; first installation, 1983; 150 risk management department installations; 150 total installations; functions include providing data collection, financial tracking and reports for claims sys-

tems; corporate clients include MINSTAR Inc., Georgia State University, Rohr Industries, Ohio Edison Co.

• **Custom ARIS***: unbundled hardware and software; applications for all types of hardware; first installation, 1977; 175 risk management department installations; 175 total installations; software is custom designed for companies.

Staff: 197 total staff members, 130 professional staff members.

Clients: 250 total clients, 250 risk management department companies.

Branch offices: Atlanta; Chicago; Los Angeles, San Francisco and Palo Alto, Calif.; Minneapolis.

Gross revenues: Not reported.

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

C

Cantor & Co.

9348 Santa Monica Blvd., Beverly Hills, Calif. 90210; 213-859-7277

Year founded: 1982.

Software products:

• **Riskmap Risk Financing:** \$1,950; unbundled hardware and software; personal computer; first installation, 1983; 80 risk management department installations; more than 100 total installations; functions include risk financing, discounted cash flow, comparative analysis; clients include The New York Times Co., National Medical Enterprises Inc., U.S. Rentals, Marsh & McLennan Cos. Inc., Rollins Burdick Hunter Co., J.H. Albert International Insurance Advisors, The Wyatt Co., Hospital Underwriting Group.

• **Riskmap Loss Forecasting:** \$1,500; unbundled hardware and software; personal computer; first installation, 1984; six risk management department installations; 12 total installations; functions include forecasting frequency, severity and cost of property/casualty programs by line of coverage and overall; clients include National Medical Enterprises Inc., Charter Medical Corp., J.H. Albert International Insurance Advisors, Eugene Thalitch & Associates Ltd.

• **Riskmap Captive Risk Financing:** \$4,500; unbundled hardware and software; personal computer; first installation, 1984; two total installations; functions include income statements, equity and available cash, loss reporting and payment, discounted cash-flow analysis; clients include Sullivan, Kelly & Associates.

• **Patient Care Monitoring System:** \$15,000; unbundled hardware and software; personal computer; first installation, 1985; more than 100 risk management department installations; more than 100 total installations; functions include reporting, quality assurance, utilization review, infection control, risk management, incident reporting; clients include City of Hope National Medical Center, St. Joseph Hospital (Towson, Md.), Daughters of Charity Hospitals (Calif.), St. Vincent Hospital (Sante Fe, N.M.).

• **Exposure Base Management System (EBMS):** \$6,000-\$10,000; unbundled hardware and software; personal computer; first installation, 1986; one risk management department installation; one total installation; functions include tracking and reports on worldwide exposures; client is Dow Corning Corp.

• **Hospital RIMS:** \$7,500-\$35,000; unbundled hardware and software; personal computer; first installation, 1984; eight risk management department installations; nine total installations; functions include

Continued on page 36

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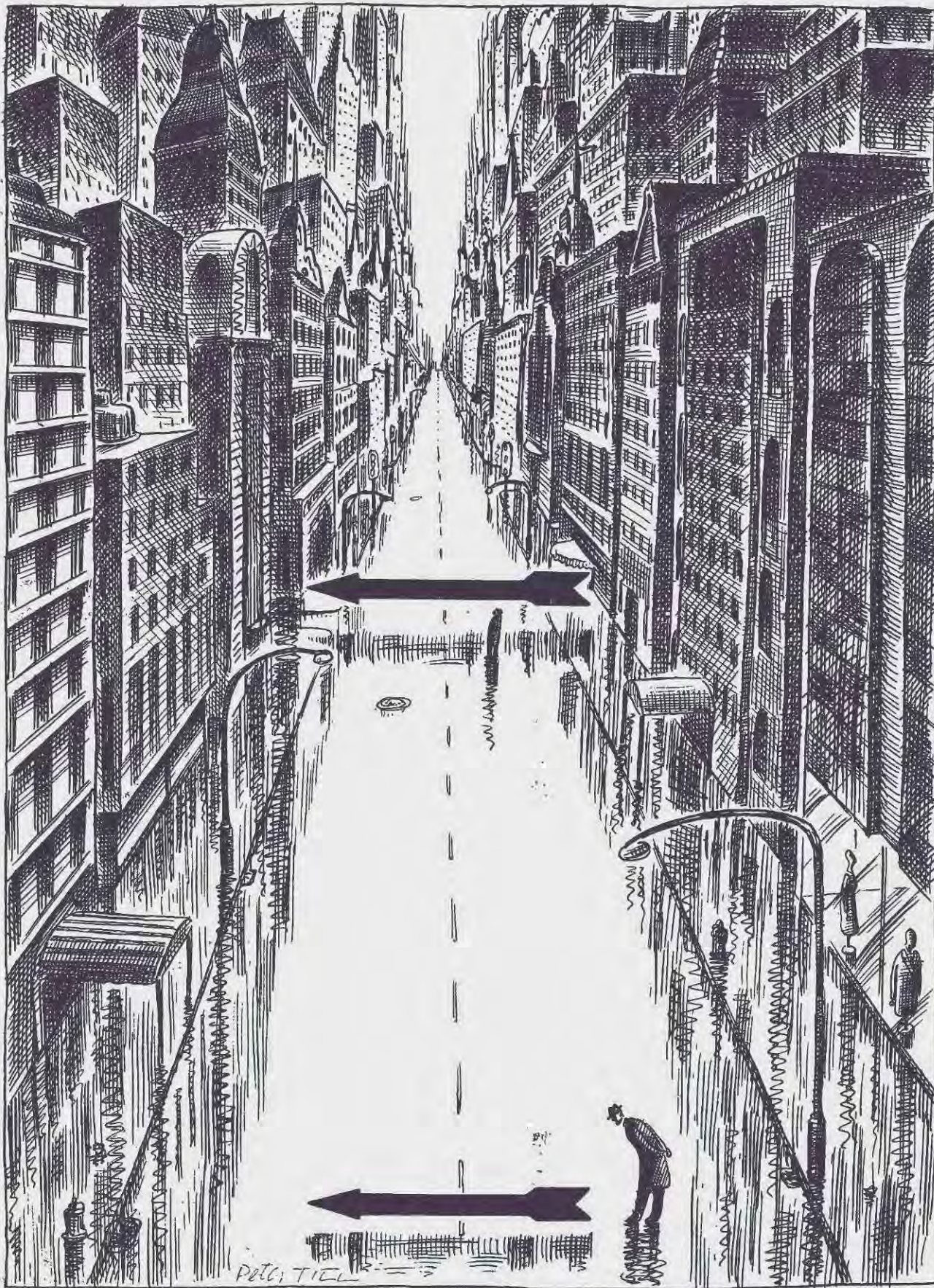
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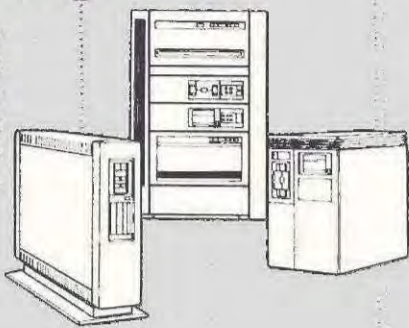
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BI-486

Continued from page 34
claims management, financial analysis and reporting, underwriting analysis and reporting, actuarial analysis, reinsurance analysis and management, cost allocation; clients include National Medical Enterprises Inc., Charter Medical Corp., Hospital Underwriting Group.

- **Property/Casualty RIMS:** \$7,500-\$37,500; unbundled hardware and software; personal computer; first installation, 1984; 10 risk management department installations; 11 total installations; functions include claims tracking and management, safety and loss control, cost allocation, financial analysis and reporting; clients include Preston Trucking Co.

- **Corporate Overall Legal Tracking System (C.O.L.T.S.):** \$5,500-\$7,500; unbundled hardware and software; personal computer; first installation, 1934; one risk

management department installation; one total installation; functions include tracking and analysis of corporate legal costs; client in National Medical Enterprises Inc.

- **Underwriting Analysis System:** \$8,000-\$15,000; unbundled hardware and software; personal computer; first installation, 1984; two risk management department installations; functions include profit analysis and reinsurance recovery.

Staff: Five total staff members, all of whom are professionals.

Clients: More than 200 risk management department and total clients; 25% with gross revenues under \$200 million, 60% \$200 million-\$500 million, 10% \$500 million-\$1 billion, 4% \$1 billion-\$3.5 billion, 1% exceeding \$3.5 billion.

Gross revenues: Not reported; 5% from hardware, 80% from software, 15% from services.

Principal officers: Alan B. Cantor, president.

CIGNA Corp.-CRIS Risk Information Services

1600 Arch St., Philadelphia, Pa. 19103; 215-241-3831

Software products:

- **CRIS-CIGNA'S Risk Information Services:** available in conjunction with company's insurance services; bundled hardware and software; personal computer; first installation, 1983; 350 risk management department installations; 400 total installations; functions include analysis of claims information and policy, bond, property, premium and billing information; corporate clients include Firestone Tire & Rubber Co., Ashland Oil Inc., The Times Mirror Co., Gillette Co., University of California.

- **CRIS Advanced Functions:** \$10,000-\$20,000, available in conjunction with company's insurance services; bundled hardware and software; first installation, 1984; 30 risk management department installations; functions include forecasting, loss triangles; corporate clients include Whittaker Corp., Borden Inc., ITT Corp.

Staff: 55 total staff members, 50 professional staff members.

Clients: 2,600 total clients; 350 risk management department clients; 20% with gross revenues \$200 million-\$500 million, 30% \$500 million-\$1 billion, 30% \$1 billion-\$3.5 billion, 20% exceeding \$3.5 billion.

Branch offices: Atlanta; Boston; Chicago; Irving, Texas; Detroit; Houston; Los Angeles; New York; Seattle; San Francisco; Bala Cynwyd, Pa.

Gross revenues: Not reported.

Principal officers: Robert Kilpatrick, chief executive officer; Wilson H. Taylor, president-property/casualty group; Hartzel Z. Lebed, president-CIGNA Corp.

Conway Computer Consultants Inc.

4621 W. Napoleon Ave., Metairie, La. 70001; 504-456-8800

Year founded: 1976.

Software products:

- **PRO-CLAIM (Professional Claims Administration & Risk Management Information System):** \$35,000; unbundled hardware and software; mini-computer or personal computer; first installation, 1981; six total installations; system provides claims administration and general risk management information functions; corporate clients include Marinco Inc., United Van Lines Inc.; additional clients include Claims Management Services, American Excess Underwriters, Southern Insurance Agency.

Staff: 15 total staff members, 10 professional staff members.

Clients: Six total clients; 80% with gross revenues under \$200 million, 20% \$200 million-\$500 million.

Continued on next page

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*RISKTRAC is a product of Helmsman Management Services, Inc., a member of the Liberty Mutual Insurance Group.

Continued from previous page

Branch offices: Denver.
Gross revenues: Not reported; 80% from software, 20% from services.

Principal officers: Raymond W. Stephens II, president; Paul M. Gregory, vp.

R

Ricon Inc.

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

Year founded: 1985.

Software products:

• RISKPAC: \$9,500; bundled hardware and software; personal computer; first installation, 1985; six risk management department installations; six total installations; functions include claims reporting, adjusting and check processing for workers compensation, general liability and property/casualty claims; corporate clients include Fred Meyer Inc., Clackamas County (Ore.); TPA clients include Self-Insured Management Services Inc., Diversified Risk Management, Self-Insured Benefactors Plus.

Staff: Four total staff members, all of whom are professionals.

Clients: Six total clients; six risk management department clients, 90% with gross revenues under \$200 million, 10% \$500 million-\$1 billion.

Gross revenues: \$75,000; 10% from hardware, 80% from software; 10% services.

Principal officers: Richard H. Goffe, president.

Risk Sciences Group Inc.

5620 Glenridge Drive N.E., Atlanta, Ga. 30342; 404-256-0830

Year founded: 1978.

Parent company: Crawford & Co.

Software products:

• Sigma+System: \$25,000-\$50,000; bundled or unbundled hardware and software; personal computer; first installation, 1978; 50 risk management department installations; 70 total installations; functions include on-line inquiry and reporting services, risk analysis, premium allocation, loss control, exposure monitoring; corporate clients include Denny's Inc., Anheuser-Busch Cos. Inc., Xerox Corp., Washington Metropolitan Transit Authority, Warner-Lambert Co.

• Cast: \$3,000-\$10,000; bundled or unbundled hardware and software; personal computer; first installation, 1981; 50 risk management department installations; 70 total installations; functions include policy administration, loss and expense forecasting; corporate clients include Denny's Inc., Anheuser-Busch Cos. Inc., Xerox Corp., Washington Metropolitan Transit Authority, Warner-Lambert Co.

• Litigation: \$15,000-\$25,000; unbundled hardware and software; personal computer; first installation, 1985; five risk management department installations; five total installations; functions include maintenance of litigation records and reporting; corporate clients include Warner-Lambert Co., CertainTeed Corp.

Staff: 29 total staff members, 21 professional staff members.

Clients: 48 total clients; 48 risk management department clients; 7.5% with gross revenues under \$200 million, 7.5% \$200 million-\$500 million, 25% \$500 million-\$1 billion, 35% \$1 billion-\$3.5 billion, 25% exceeding \$3.5 billion.

Branch offices: New York; San Salito, Calif.

Gross revenues: \$2.7 million; 55% from software, 45% from services.

Principal officers: Richard F. Denning, president; Dennis M. Aaron, Andrew R. Daniels and R. Michael Keating, vps-operations;

Carol J. Freytag, vp-computer development; John W. Huecksteadt, vp-computer services.

Rollins Burdick Hunter Co.-Risk Management Services

10 S. Riverside Plaza, Chicago, Ill. 60606; 312-559-2000

Year founded: 1898.

Parent company: Combined International Corp.

Software products:

• RISKAN: \$1,000-\$63,000 for installation, \$1,500-\$81,000 for annual charges; bundled or unbundled hardware and software; personal computer; first installation, 1982; 37 risk management department installations, 66 total installations; functions include analysis for market submissions, determining funding levels and alternatives, establishing budgets, cost allocation, claims adjusting, safety and loss control, adhoc questions and analy-

sis. **Staff:** 35 total staff members, 29 professional staff members.

Clients: 51 total clients; 18% with gross revenues under \$200 million, 16% \$200 million-\$500 million, 11% \$500 million-\$1 billion, 39% \$1 billion-\$3.5 billion, 16% exceeding \$3.5 billion.

Branch offices: St. Louis, New York, San Francisco.

Gross revenues: \$672,000; 10% from hardware, 65% from software, 25% from services.

Principal officers: R. David Turner, vp; Gary Spirduso, second vp.

S

Seligman Information Systems

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

Year founded: 1985.

Software products:

• ACCESS-The Claims Information System: \$5,000; unbundled hardware and software; personal computer; available in 1986; functions include financial, safety and claims administration reports and other risk management functions for fully insured companies.

Gross revenues: Not reported.

Principal officers: Thomas Seligman, president.

Softec Inc.

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

Year founded: 1982.

Software products:

• PC RISKMASTER: \$8,000; unbundled hardware and software; personal computer; first installation, 1982; 80 risk management department installations; 165 total installations; functions include general claims administration, workers

compensation administration, property management, policy management, safety; corporate clients include Norfolk General Corp., The Budd Co., University of Michigan, Holy Cross Hospital.

• Mini RISKMASTER: \$45,000; bundled hardware and software; minicomputer; first installation, 1983; 15 risk management department installations; functions include general claims administration, workers compensation administration, property management, policy management, safety, plotting, spreadsheets; corporate clients include Household International Inc.; TPA clients include Cranbrook Agency, Insurance Management Services.

• Mainframe RISKMASTER: \$120,000; bundled hardware and software; available in 1986; functions include general claims administration, workers compensa-

Continued on next page

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500 South Main Street, Providence, RI 02903. Other offices in Boston, New York City and New Orleans.

Continued from previous page
 tion administration, property management, policy management, safety, plotting, spreadsheets.

Staff: 16 total staff members, 12 professional staff members.

Clients: 185 total clients; 10% with gross revenues under \$200 million, 30% \$200 million-\$500 million, 35% \$500 million-\$1 billion, 15% \$1 billion-\$3.5 billion, 10% exceeding \$3.5 billion.

Branch offices: Rockaway, N.J.
Gross revenues: Not reported; 20% from hardware, 70% from software, 10% from services.

Principal officers: Mark E. Dorn, president.



3R Co.

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

Year founded: 1985.

Software products:

• Triangle Analysis: \$299; unbundled hardware and software; personal computer; available in 1986; functions include analysis of workers compensation and general liability loss reserves, measurement of exposures.

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

Gross revenues: Not reported, 100% from software.

Principal officers: Joseph A. Rinaldi, owner.

The Travelers Insurance Co.-Risk Management Information Services Department

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

Year founded: 1864.

Software products:

• CARMA: \$45,000; bundled hardware and software; mainframe; first installation, 1982; 50 risk management department installations; 92 total installations; functions include loss control, financial analysis and claims administration.

• PC CARMA: \$15,000; unbundled hardware and software; personal computer; first installation, 1985; 22 risk management department installations; 22 total installations; functions include loss control, financial analysis and claims administration.

• SAILOR On-Line: \$1,000; unbundled hardware and software; personal computer; first installation, 1984; 74 risk management department installations; 299 total installations; functions include loss control, financial analysis and claims administration.

Staff: 100 total staff members, 50 professional staff members.

Clients: 366 total clients; 226 risk management department clients; 22% with gross revenues under \$200 million, 17% \$200 million-\$500 million, 28% \$500 million-\$1 billion, 31% \$1 billion-\$3.5 billion, 2% exceeding \$3.5 billion.

Branch offices: Los Angeles.

Gross revenues: \$2.84 million; 4% from hardware, 35% from software, 61% from services.

Principal officers: E. Budd, chief executive officer; Jack Gardner, second vp.



Underwriters Adjusting Co.

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

Year founded: 1918.

Parent company: Continental Corp.

Software products:

• Claims Backer: \$15,000-\$60,000, available in conjunction with company's claims adjusting services; unbundled hardware and software; personal computer; first installation, 1985; two risk management department installations; 85 total installations; functions include on-line claim and draft inquiries, reports.

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

Clients: Two risk management department clients, 100% with gross revenues \$1 billion-\$3.5 billion.

Branch offices: 77 locations throughout the U.S.; regional offices in Livingston, N.J.; Atlanta; Dallas; Chicago; Sacramento, Calif.

Gross revenues: Not reported.

Principal officers: Richard A.

Simon, chairman; Darrell K. Stone, executive vp; Robert F. Masaroberti, senior vp-operations; C. Lee Gabbert, senior vp-claims; William F. Bergs, vp-marketing.



WLT Software Services Inc.

35 Crocker Blvd., Mount Clemens, Mich. 48043; 313-463-6770

Year founded: 1980.

Software products:

• COMP-CLAIMS: \$40,000-\$80,000; bundled or unbundled hardware and software; minicomputer; first installation, 1985; two total installations; functions include processing and administration of

workers compensation claims; TPA clients include Creative Risk Management.

• PAC-CLAIMS: \$40,000-\$80,000; bundled or unbundled hardware and software; minicomputer; first installation, 1986; one total installation; functions include processing and administration of property/casualty claims; TPA client is Creative Risk Management.

Staff: 13 total staff members, five professional staff members.

Clients: 19 total clients.

Gross revenues: Not reported.

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

Weyerhaeuser Information Systems

CCB-3C, Tacoma, Wash. 98477; 206-924-4108

Year founded: 1985.

Parent company: Weyerhaeuser Co.

Software products:

• CompTrack: \$75,000; unbundled hardware and software; minicomputer; first installation, 1985; four risk management department installations; four total installations; functions include management of workers compensation programs; corporate clients include Simpson Timber Co., school districts.

Staff: 404 total staff members, 365 professional staff members.

Clients: Four total clients; four risk management department clients.

Gross revenues: Not reported.

Principal officers: Frank Guthrie, general manager; Steve Van Slyke, manager-applications software products.

*Jack and Jill went up the hill
 To fetch a pail of water;
 Jack fell down and broke his crown
 And Jill came tumbling after.*

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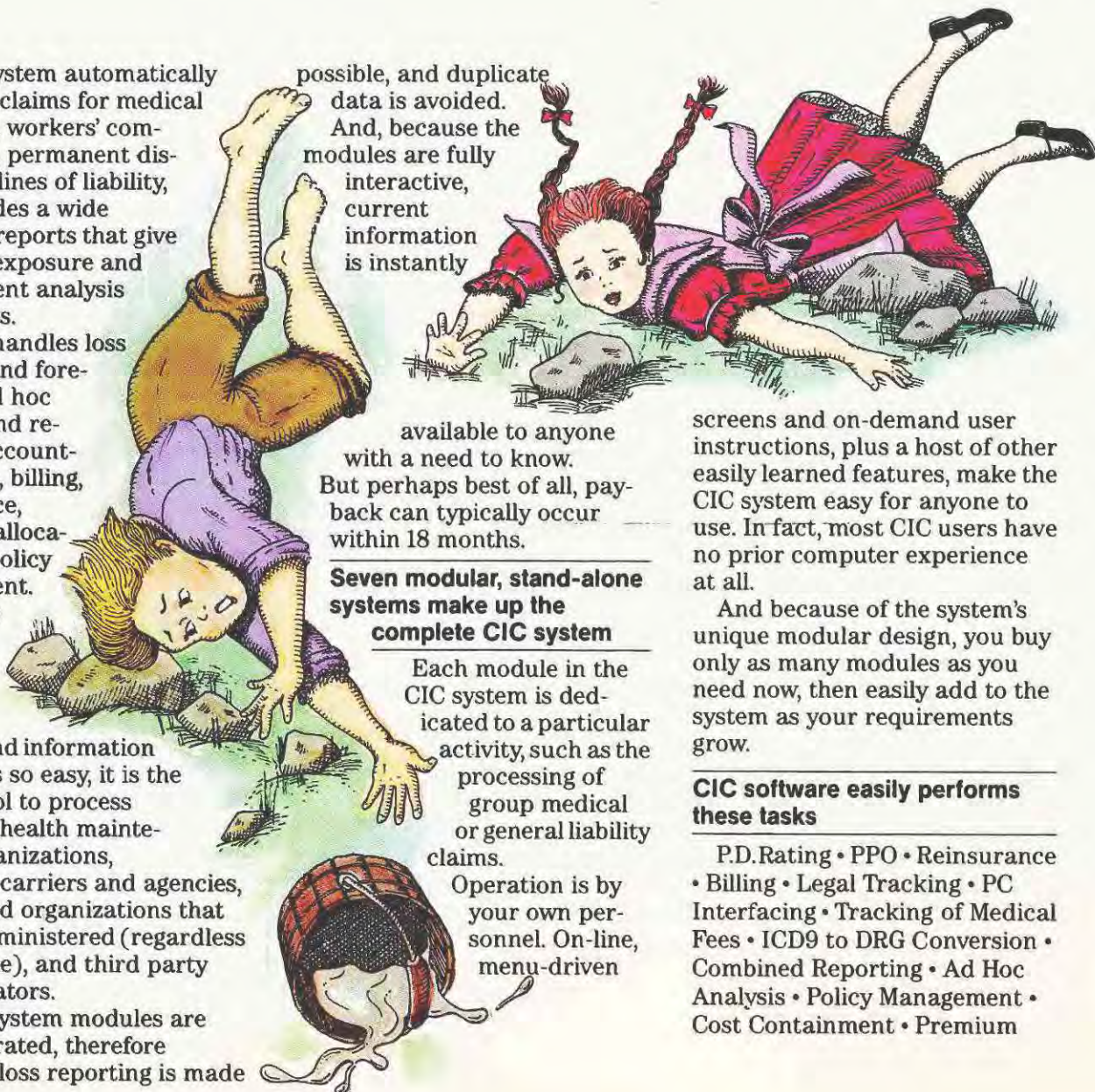
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screens and on-demand user instructions, plus a host of other easily learned features, make the CIC system easy for anyone to use. In fact, most CIC users have no prior computer experience at all.

And because of the system's unique modular design, you buy only as many modules as you need now, then easily add to the system as your requirements grow.

CIC software easily performs these tasks

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- Billing • Legal Tracking • PC Interfacing • Tracking of Medical Fees • ICD9 to DRG Conversion • Combined Reporting • Ad Hoc Analysis • Policy Management • Cost Containment • Premium



Continued from previous page
total installations; functions include air, water and soil monitoring, PCB inventory, waste tracking and monitoring; corporate clients include Cummins Engine Co. Inc., Manville Corp., General Dynamics Corp.

• FLOW GEMINI Occupational Health Information System: \$95,000-\$200,000; unbundled hardware and software; mainframe or minicomputer first installation, 1982; more than 30 total installations; functions include industrial hygiene and safety surveillance, health physics; corporate clients include Chevron Corp., The Dow Chemical Co., Abbott Laboratories, Grumman Corp.

Staff: 2,000 total staff members.

Clients: Not reported.

Branch offices: Santa Barbara, Calif.; Rickmansworth, England.

Gross revenues: Not reported.

Principal officers: Robert

Wangler, president; Wanda Rappaport, director-software sales/marketing.

h

Helmsman Management Services Inc.

9 Riverside Road, Weston, Mass. 02193; 617-991-1168

Year founded: 1982.

Parent company: Liberty Mutual Insurance Co.

Software products:

• Risktrac: \$30,000; unbundled hardware and software; mainframe or minicomputer; 20 risk management department installations; 20 total installations; functions include claims management loss analysis, location information management, coverage specifications, premium allocation, loss forecasting.

Staff: 50 total staff members.

Clients: 20 total clients; 20 risk management department clients, 5% with gross revenues under \$200 million, 10% \$200 million-\$500 million, 10% \$500 million-\$1 billion, 25% \$1 billion-\$3.5 billion, 50% exceeding \$3.5 billion.

Branch offices: San Francisco, Atlanta, Chicago, New York, Philadelphia, Dallas.

Principal officers: Louis Li-rauro, president; Elliott Williams, vp.

i

Insurance Software Packages Inc.

51-8 N. 56th St., Suite 260, Tampa, Fla. 33610; 813-621-6069

Year founded: 1985.

Software products:

• Workers Compensation Claims System: \$12,000-\$20,000; unbundled hardware and software; first installation, 1985; eight risk management department installations; nine total installations; functions include automatic correspondence, follow-up, insurance plan maintenance, on-line inquiries, management reports, claims adjudication and remote access; corporate clients include Tropicana Products Inc., Florida Power & Light Co., Harper Grace Hospitals.

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

Clients: Nine total clients; 100% with gross revenues under \$200 million.

Branch offices: Warren, N.J.

Gross revenues: \$300,000, 100% from software.

Principal officers: A. Allan Machesney, president.

j

Thomas L. Jacobs & Associates Inc.

230 W. Monroe, Suite 545, Chicago, Ill. 60606; 312-346-0155

Year founded: 1915.

Software products:

• Jacobs Disability Management System (JDMS): unbundled hardware and software; mainframe, minicomputer or personal computer; first installation, 1984; eight risk management department installations; eight total installations; functions include short- and long-term disability administration; corporate clients include Illinois Bell Telephone Co., Wisconsin Bell Inc., Supermarkets General Corp., Federal Express Corp., Indiana Bell Telephone Co., Life Insurance Co. of the Southwest.

Staff: 40 total staff members, 30 professional staff members.

Clients: 106 total clients; 10% with gross revenues under \$200 million, 10% \$200 million-\$500 million, 10% \$500 million-\$1 billion, 30% \$1 billion-\$3.5 billion, 40% exceeding \$3.5 billion.

Gross revenues: \$1.79 million; 50% from software, 50% from services.

Principal officers: Richard A. Lewis, president; Richard H. Wille and James E. Roman, senior vps.

Johnson & Higgins-Risk Management Department

95 Wall St., New York, N.Y. 10005; 212-701-8347

Year founded: 1845.

Software products:

• RMSS: \$20,000; unbundled hardware and software; mainframe; first installation, 1974; 50 risk management department installations; more than 125 total installations; functions include loss runs, on-line access, regulatory reporting, cost allocation, reserve analysis, loss trending and claims administration; corporate clients include GTE Corp., New Jersey Transit Authority.

• RMSS/PC: \$10,000; unbundled hardware and software; personal computer; first installation, 1984; six risk management department installations; more than 20 total installations; functions include property value, bond register, premium management, claims management and policy register; corporate clients include Tampa Electric Co., The Mead Corp., Burlington Industries Inc.

Staff: 15 total staff members, eight professional staff members.

Clients: 150 total clients; 55 risk management department clients; 5% with gross revenues under \$200 million, 30% \$200 million-\$500 million, 25% \$500 million-\$1 billion, 25% \$1 billion-\$3.5 billion, 15% exceeding \$3.5 billion.

Branch offices: 43 locations throughout the United States.

Gross revenues: Not reported; 20% from hardware, 20% from software, 60% from services.

Principal officers: Alan Page, senior vp; Arthur Koritzinsky, vp; Phillip Levine, assistant vp.

l

Litigation Systems Inc.

100 Fifth Ave., Waltham, Mass. 02154; 617-890-0800

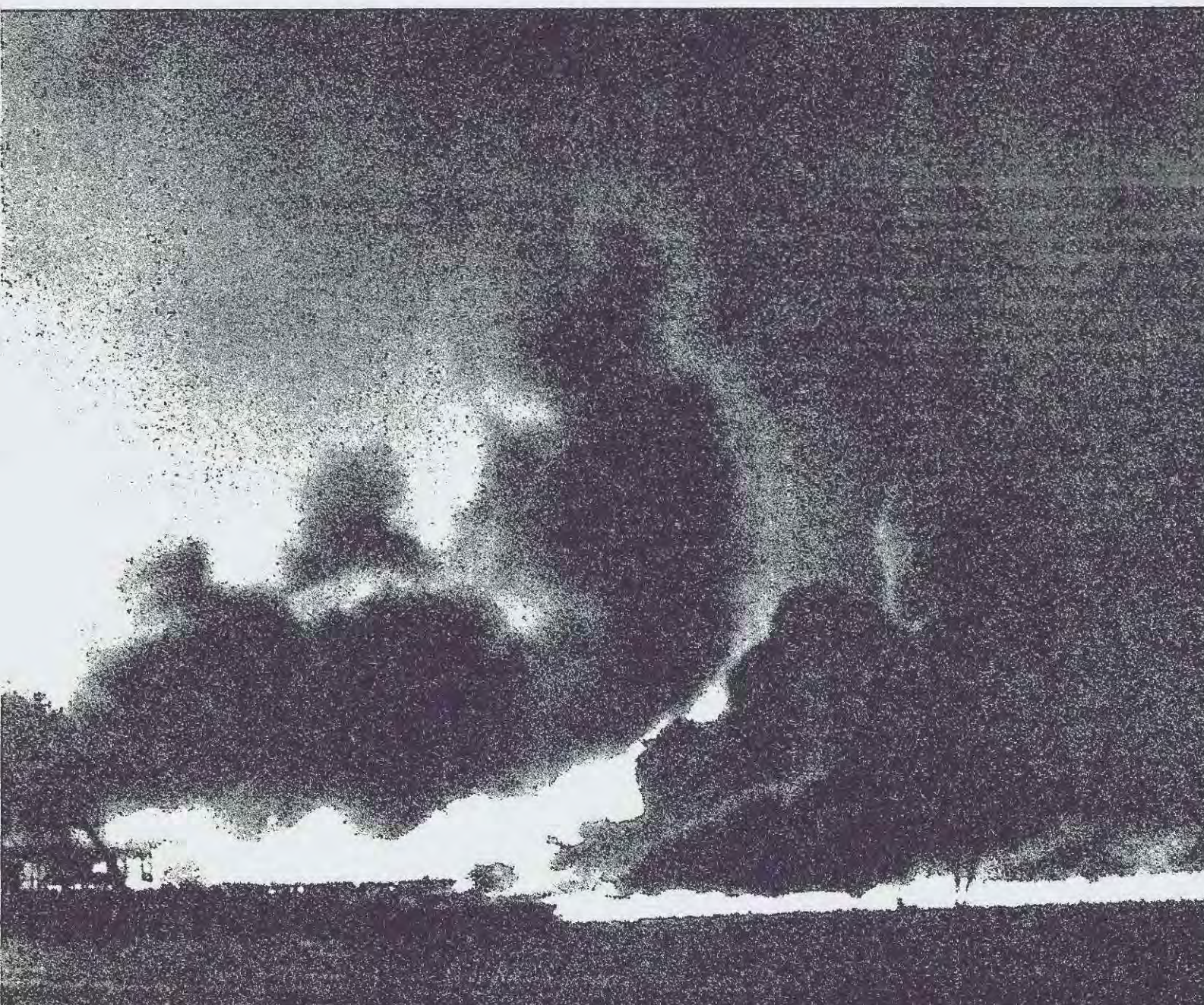
Year founded: 1983.

Software products:

• LSI Data Base: unbundled hardware and software; personal computer; first installation, 1984; one risk management department installation; 24 total installations; functions include data base crea-

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Continued from previous page
tion, consulting, training, support, networking and electronic mail for litigation management.

Staff: 70 total staff members, 10 professional staff members.

Clients: Not reported.

Branch offices: Locations throughout the United States.

Gross revenues: Not reported.

Principal officers: Charles J. Purrelli, president; William E. Bailey, executive vp; George P. Reedy, chief financial officer.

n

National Risk Management Inc.

2682 Bishop Drive, Suite 116, San Ramon, Calif. 94583;
415-830-9080; 800-833-2530 in California; 800-628-7475 in other states

Year founded: 1978.

Software products:

- NRM Workers Compensation: \$15,900-\$25,900; bundled or unbundled hardware and software; mainframe, minicomputer or personal computer; first installation, 1981; 15 risk management department installations; 19 total installations; functions include workers compensation claims administration and analysis; corporate clients include Springs Industries Inc., Golden Gate Disposal Co., Alameda County Schools Insurance Group; TPA clients include Claims Management Inc.

- NRM Liability System: \$15,900-\$25,900; bundled or unbundled hardware and software; mainframe, mini-computer or personal computer; first installation, 1981; 12 risk management department in-

stallations; 17 total installations; functions include liability claims administration and analysis; clients include Insurance Consulting Associates Inc., Redwood Empire Municipal Insurance Fund, Educators Insurance Co.

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

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

Gross revenues: \$1.38 million; 30% from hardware, 60% from software, 10% from services.

Principal officers: Frank E. Amatelli, president; Craig A. Zivovich, vp; LuEllen Steele, secretary/treasurer.

q

Quaestor Consulting Co.

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

Year founded: 1986.

Software products:

- Quaestor Financial Models: unbundled hardware and software; personal computer; first installation, 1986; one risk management department installation; two total installations; models use spreadsheets to analyze risk management problems with database of carrier or claims administrator; corporate client is Amfac Inc.; consulting client is Applied Risk Funding.

Staff: Two total staff members, both of whom are professional staff members.

Clients: Two total clients, one risk management department client.

Continued on next page

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Information from the following companies was received too late to be included in the alphabetical listing of risk management information system providers.

Royal Insurance Group-Special Insurance Division
150 William St., New York, N. Y. 10038; 212-553-3510

Software products:
● Royal/CS ONLINE: offered in conjunction with company's insurance services; unbundled hardware and software; first installation, 1983; 275 risk management department installations; more than 400 total installations; functions include claims management, reports.
Clients: More than 400 total clients; 275 risk management department clients.
Gross revenues: Not reported.
Principal officers: Richard Liersap, director-special risk management services department.

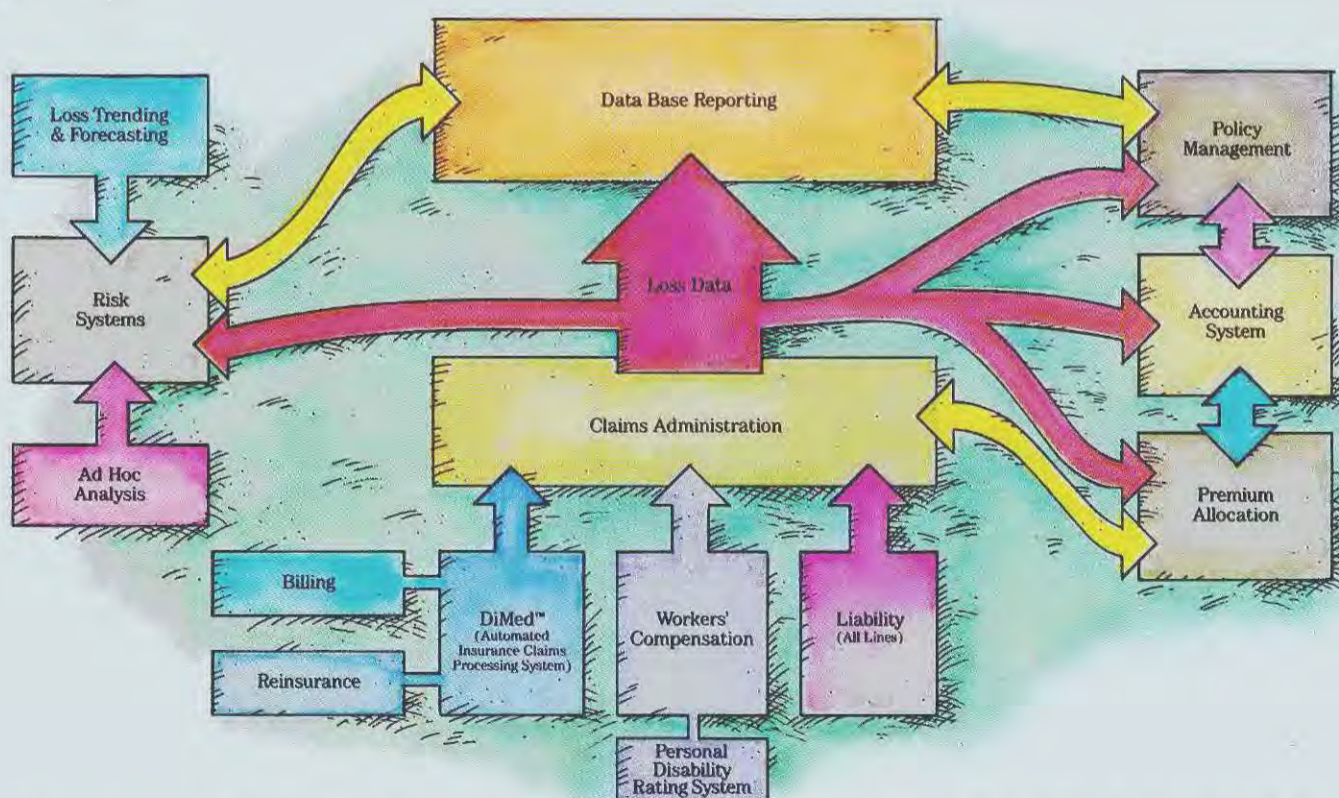
Hartford Insurance Group/Hartford Specialty Co.
Hartford Plaza, Hartford, Conn. 06115; 203-547-2835

Year founded: 1980.
Software products:
● OSCAR: Offered in conjunction with company's insurance services or separately; unbundled hardware and software; personal computer, mini-computer or mainframe; first installation, 1982; functions include claims reporting and analysis.
Branch offices: New York City, Chicago, Los Angeles, Dallas, Detroit.
Clients: Not reported.
Gross revenues: Not reported.
Principal officers: Ramani Ayer, president-Hartford Specialty Co.; Charles Turchi, secretary-Hartford Specialty Co.

datebook

- JULY 28-AUG. 1. Loss Control Management** seminar in Atlanta, sponsored by the International Loss Control Institute; \$695. ILCI, P.O. Box 345, Loganville, Ga. 30249; 800-554-6001.
- JULY 30. Personal Liability Risk Management** workshop in Georgetown, Del., sponsored by the Insurance Society of Philadelphia; \$105 for members; \$120 for non-members. Also Dec. 10 in Philadelphia. Insurance Society of Philadelphia, 737 Public Ledger Building, Philadelphia, Pa. 19106; 215-627-5306.
- JULY 31. ISO Commercial Property Forms** workshop in Blue Bell, Pa., sponsored by the Insurance Society of Philadelphia; \$105 for members; \$120 for non-members. Also Aug. 21 in Georgetown, Del.; Oct. 23 in Philadelphia; Nov. 18 in Stanton, Del. Insurance Society of Philadelphia, 737 Public Ledger Building, Philadelphia, Pa. 19106; 215-627-5306.
- AUG. 3-6. Corporate Benefits Management** conference in Monterey, Calif. sponsored by the International Foundation of Employee Benefit Plans; \$530 for members; \$605 for non-members; IFEBP, 18700 Bluemound Road, P.O. Box 60, Brookfield, Wis. 53008-0069; 414-786-6700.
- AUG. 3-8. The Basic Course in Reinsurance** in Tarrytown, N.Y., sponsored by the College of Insurance; \$895 for college sponsors; \$1,050 for non-sponsors. Ronnie Kranis, The College of Insurance, One Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.
- AUG. 4-5. Employee Benefit Communications: A Changing Environment Offers New Choices** conference in New York, sponsored by Business Insurance; \$625; 10% discount to additional registrants from the same organization. Ann Vazquez, Registrar, BI, 220 E. 42nd St., New York, N.Y. 10017; 212-210-0137.
- AUG. 5. ISO Commercial General Liability Policy** workshop in Dover, Del., sponsored by the Insurance Society of Philadelphia; \$105 for members; \$120 for non-members. Also Aug. 19 in Blue Bell, Pa.; Oct. 16 in Stanton, Del.; Nov. 4 in Philadelphia. Insurance Society of Philadelphia, 737 Public Ledger Building, Philadelphia, Pa. 19106; 215-627-5306.
- AUG. 7-8. Governmental Insurance Conference** in Austin, Texas, sponsored by the Professional Development Institute; \$245. Professional Development Institute, North Texas State University, P.O. Box 13288, Denton, Texas 76203-3288; 817-565-2483.
- AUG. 8. Hazardous Waste Management for Small Generators** course in Los Angeles, sponsored by the Institute of Safety and Systems Management, University of Southern California; \$135. Institute of Safety and Systems Management, University of Southern California, Office of Extension and In-service Programs, 3500 S. Figueroa St., Suite 102, Los Angeles, Calif. 90007; 213-743-6523.
- AUG. 11-12. Health Care Cost Containment Workshop** in Minneapolis, sponsored by Health Research Institute; \$495. Also Sept. 22-23 in New Orleans; Oct. 6-7 in San Francisco; Oct. 27-28 in Boston; Nov. 10-11 in New York; Nov. 17-18 in Dallas; Dec. 8-9 in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.
- AUG. 11-12. Captive Insurance Seminar** in Stowe, Vt., sponsored by Risk Alternatives Inc.; \$395; \$450 within two weeks of seminar. Also Oct. 6-7 in St. Thomas, Virgin Islands, Dec. 8-9 in Charleston, S.C. Risk Alternatives Inc., P.O. Box 707, Salado, Texas 76571; 817-947-5048.
- AUG. 11-15. Hazardous Materials: Handling & Disposal** course in Los Angeles, sponsored by the Institute of Safety and Systems Management, University of Southern California; \$700. Institute of Safety and Systems Management, University of Southern California, Office of Extension and In-service Programs, 3500 S. Figueroa St., Suite 102, Los Angeles, Calif. 90007; 213-743-6523.
- AUG. 13. Advanced Health Care Cost Containment Workshop** in Minneapolis, sponsored by Health Research Institute; \$250. Also Sept. 24 in New Orleans; Oct. 8 in San Francisco; Oct. 29 in Boston; Nov. 12 in New York; Nov. 19 in Dallas; Dec. 10 in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.
- AUG. 14-15. Labor/Management Health Care Cost Containment Workshop** in Minneapolis, sponsored by Health Research Institute; \$250. Also Oct. 9-10 in San Francisco; Oct. 30-31 in Boston; Nov. 13-14 in New York; Nov. Dec. 11-12 in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.
- AUG. 14-15. Joint Florida Risk & Insurance Management Society Conference** in Palm Beach, Fla.; \$35; \$50 for registering at the door. James Taglia, Tampa Electric, P.O. Box 111, Tampa, Fla. 33601; 813-228-4111.
- AUG 14-15. How to Audit and Check Insurance Policy Costs and Coverages** course in San Francisco, sponsored by the American Management Assn.'s Financial Division; \$675 for AMA members; \$775 for non-members. Also Aug. 21-22 in Washington, D.C.; Sept. 11-12 in New York; Sept. 18-19 in Houston; Sept. 29-30 in Chicago; Oct. 20-21 in St. Louis; Oct. 27-28 in Philadelphia; Nov. 6-7 in St. Petersburg, Fla.; Nov. 13-14 in Dallas; Nov. 17-18 in Bloomington, Minn. Nov. 20-21 in Boston; Nov. 24-25 in Parsippany, N.J. American Management Assn., P.O. Box 319 Saranac Lake, N.Y. 12983; 518-891-0065.
- AUG. 18-19. Application of Microcomputers to Occupational Health & Safety** course in Los Angeles, sponsored by the Institute of Safety and Systems Management, University of Southern California; \$375. Institute of Safety and Systems Management, University of Southern California, Office of Extension and In-service Programs, 3500 S. Figueroa St., Suite 102, Los Angeles, Calif. 90007; 213-743-6523.
- AUG. 22. MCA: Managing and Controlling Asbestos Contamination/Exposure** course in Los Angeles, sponsored by the Institute of Safety and Systems Management, University of Southern California; \$150. Institute of Safety and Systems Management, University of Southern California, Office of Extension and In-service Programs, 3500 S. Figueroa St., Suite 102, Los Angeles, Calif. 90007; 213-743-6523.
- AUG. 24-27. Benefit Communication Institute** in Atlantic City, N.J., sponsored by the International Foundation of Employee Benefit Plans; \$450 for members; \$525 for non-members. IFEBP, 18700 Bluemound Rd., P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.
- AUG. 25-27. Industrial Hygiene Sampling Strategies** course in Los Angeles, sponsored by the Institute of Safety and Systems Management, University of Southern California; \$450. Institute of Safety and Systems Management, University of Southern California, Office of Extension and In-service Programs, 3500 S. Figueroa St., Suite 102, Los Angeles, Calif. 90007; 213-743-6523.
- SEPT. 2-5. Reinsurance Accounting & Finance for Cedents & Assurers** in Ossining, N.Y., sponsored by Robert W. Strain Seminars Inc.; \$1,295. Strain Seminars Inc., P.O. Box 1000, Wingdale, N.Y. 12594; 212-677-5974 on Monday-Wednesday; 914-832-9384 on Thursday and Friday.
- SEPT. 8-10. Fundamentals of Insurance** course in Boston, sponsored by the Risk & Insurance Management Society; \$445 for RIMS members; \$545 for non-members; \$45 more if registered after six weeks prior to course. Also Sept. 8-10 in Boston and Dec. 1-3 in Atlanta. Risk & Insurance Management Society Inc., 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.
- SEPT. 10-12. Techniques of Risk Management** course in Honolulu, sponsored by the Risk & Insurance Management Society; \$445 for RIMS members; \$545 for non-members; \$45 more if registered after six weeks prior to course. Also Sept. 15-17 in Dallas and Dec. 10-12 in Atlanta. Risk & Insurance Management Society Inc., 205 East 42nd Street, New York, N.Y. 10017; 212-286-9292.

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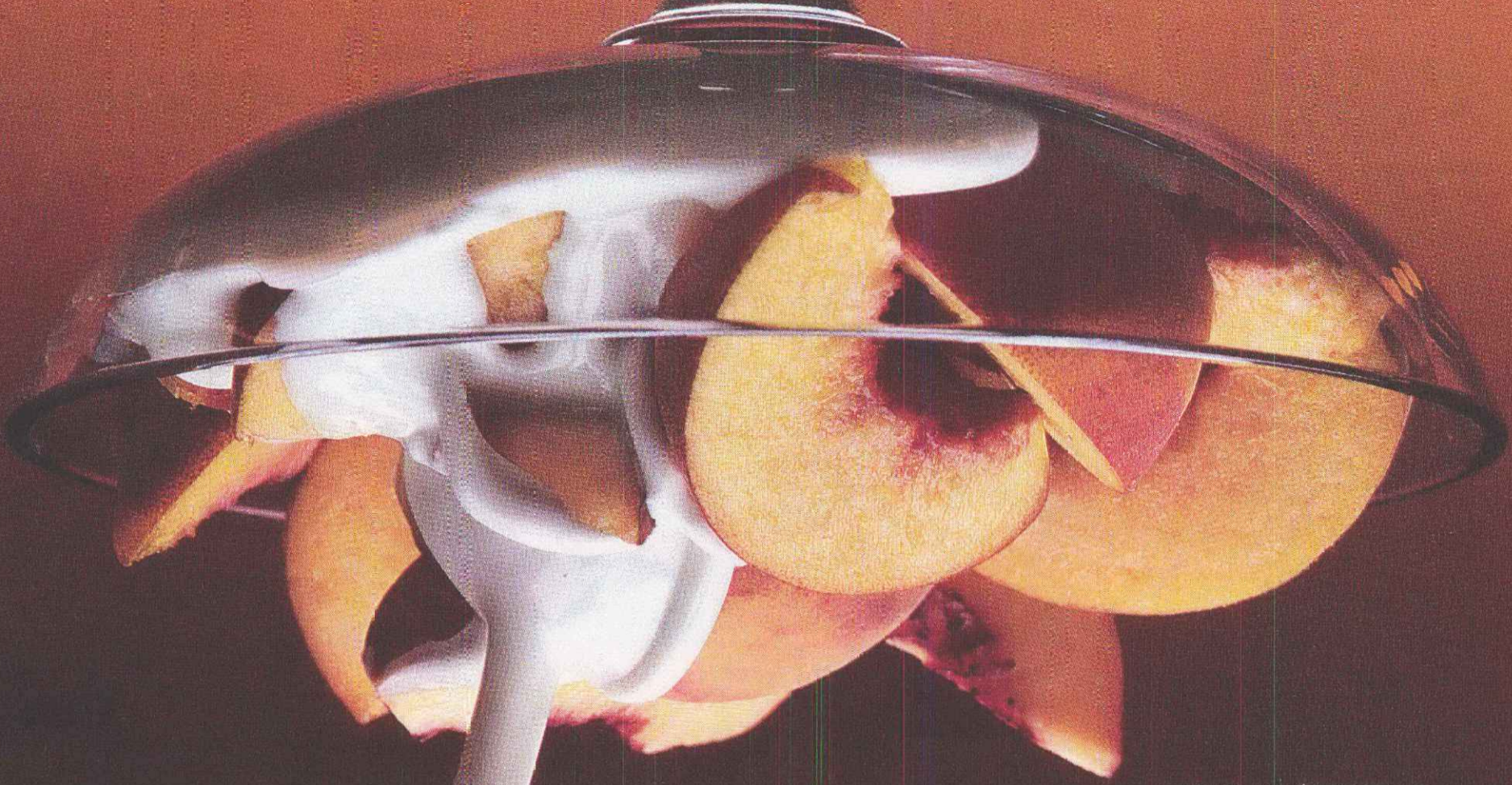
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LOSS-CONTROL AID

Information systems can help companies reduce risk

By Michael N. Singer

OF THE FIVE methods that corporations use to manage risk—insurance, non-insurance transfer, avoidance, retention and loss control—the last method is usually adopted for two reasons: Loss control is often combined with one of the other methods and it is usually the most cost-effective.

In a healthy business it is impossible to avoid all risk. Therefore, reducing or eliminating accidents will save the enterprise money with the least additional cost.

In fact, if one takes into account the costs of disruption, lost time, decrease in morale and retraining, then the savings produced by loss control can indeed be substantial.

These savings are especially relevant as commercial insurance rates are skyrocketing, making self-insurance and higher deductibles more and more preferable.

In addition to the cost-effectiveness of loss control, non-financial benefits should be kept in mind. Every accident prevented represents a potential workplace injury that was avoided.

As companies increase their loss-control efforts, they are finding that risk management information systems can ease the task.

In fact, an RMIS can assist loss-control initiatives in at least four ways:

- Forecasting to get attention and set goals.
- Allocating to ensure compliance to loss-control goals.
- Trend analysis to focus engineering efforts.
- Loss analysis to determine causes.

The entire process can be summarized in a flow chart (see Illustration 1).

Loss forecasting

There is an old joke about the farmer who needed to make his mule follow instructions. The farmer first had to get the mule's attention by applying a two-by-four to the side of the mule's head.

Our electronic equivalent of the farmer's two-by-four is the risk management information system.

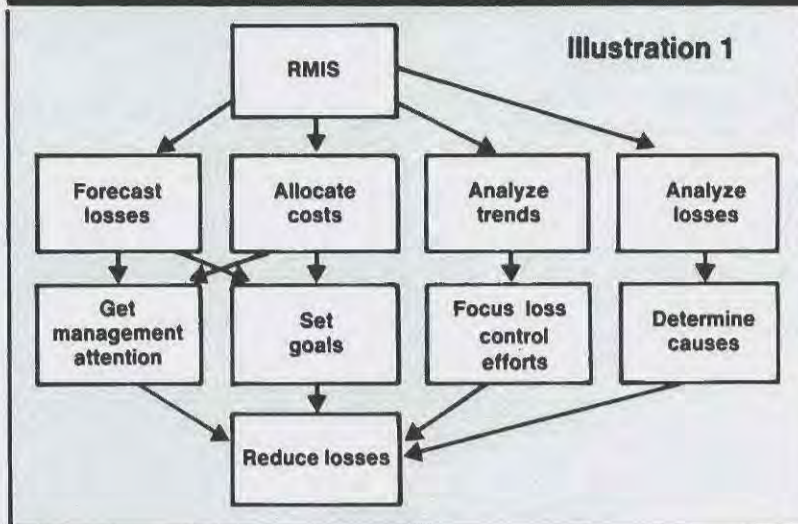
Forecasting losses can be a very eye-opening experience for upper and middle management. As an attention getting device, the information system can display graphically what cost will be in the future if current loss-control practices are continued.

In addition to getting management attention, loss forecasts generated on an RMIS have been used to actually set goals for managers. The managers of the divisions that perform better than forecasted are rewarded.

The advantage of this method of setting goals is that many important factors are taken into account, like

Michael N. Singer, PH.D., CPCU, is deputy managing vp of the New York office of Anistics Inc., a subsidiary of Alexander & Alexander Inc.

How an RMIS can aid loss control



Loss histories of four plants

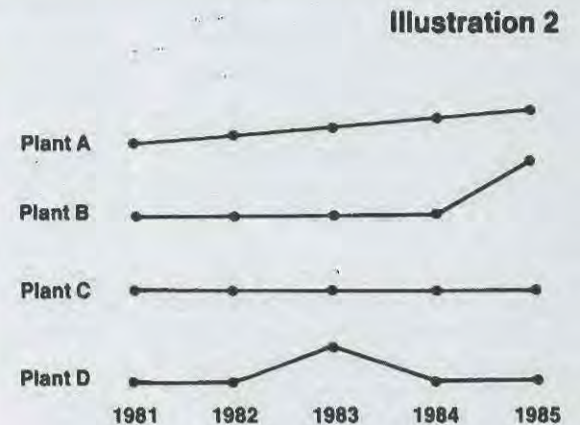


Chart: Amy Palmer

averaging recent trends and factoring in variations in exposure. The manager thus will feel that the goal is not beyond reach.

Premium allocation

Premium allocation—or more accurately, cost-of-risk allocation—is another powerful loss-control tool that can be provided by an RMIS. And allocation, like loss forecasting, can both command management's attention and help set goals.

Allocating costs is perhaps the ultimate attention-getting device because it hits division managers where it hurts the most—in their pockets. Most managers' compensation is based on bottom-line results. When the true cost of risk is included in the operating expenses, it has an immediate and direct effect on the bottom line.

Conversely, any savings in property/casualty insurance premiums or self-insured losses go straight to the bottom line.

It is also possible to develop a bonus incentive plan that separately rewards managers for good loss control. This has the advantage of maintaining the incentive to promote good loss control even if other economic conditions are not favorable.

However, this plan requires the extra administrative burden of a separate incentive system and an unusually high commitment from top management.

It often is easier to include the allocated cost of risk as just another cost of doing business.

In order for the allocation to properly motivate loss control, the managers must be shown how they can improve their bottom line by reducing losses. Therefore, at least some of the allocation should be based on experience, rather than simply exposure.

Similarly, large losses should be truncated so that a single large loss does not cancel all incentive.

Loss-control engineering is a component of the total cost of risk, whether those services are provided by the corporation or purchased from an outside vendor. Since it is a cost of risk, it should be allocated.

However, since loss-control

engineering is to be encouraged, its allocation should be based on exposure—not usage. Managers will be more likely to avail themselves of loss-control service if they feel they have already paid for it.

Trend analysis

One of the ways that a risk management information system can be used to promote loss control is through the analysis of trends over time.

In concept, this has similarities to loss forecasting but with two vital differences.

In forecasting, we project past trends into the future and smooth out the glitches.

In trend analysis, however, we do not project the past trends into the future, we concentrate on the past.

Also, we do not smooth out the glitches—in fact, we look for glitches.

Some examples will demonstrate this more clearly. Imagine we are looking at graphs of the number of accidents per employee over five years for various similar plants (see Illustration 2).

Plant A has a steadily increasing rate of accidents and probably needs to improve loss control in many areas.

Plant B had a good history, but something dramatic happened in the last year to increase the accident level—perhaps a new manager, new work rules or new equipment.

Plant C appears to be doing well and, although Plant D had a problem three years ago, it seems to have the situation under control.

Plants A and B need improved loss-control efforts. Plants C and D probably do not.

However, we run into difficulty when we try to quantify what seems fairly obvious from the graphs.

How high a slope in a case similar to Plant A's should trigger an investigation? How big an increase in a case similar to Plant B's should trigger an investigation?

Perhaps any positive slope should trigger an investigation, or perhaps only those plants with the highest slopes should be investigated.

In the case of Plant B, one has to be reasonably sure the increase is statistically significant and not a random

fluctuation.

For example, if a company has 50 identical plants and an average frequency of 15 accidents per year at each plant, then one can expect approximately 10 plants to have 20 or more accidents in any year.

Again, perhaps the answer is to concentrate on those plants with the largest fluctuations.

Loss analysis

Risk management information systems have been providing loss-control engineering assistance for many years. This has consisted primarily of analyzing losses for patterns or similarities to detect underlying causes.

By encoding the particulars of each accident, the computer can analyze the data to find which of those particulars are most prevalent.

Some of the items that are tracked are:

- Agency, or the object that triggered an accident like a truck, a certain tool, etc.

- Cause of the accident, like falls, slips, trips, etc.
- Body part, like fingers, backs, arms, etc.
- Injury type, like abrasions, burns, etc.
- Secondary cause, like poor housekeeping, failure to obey rules, etc.
- Shift on which the accident occurred.
- Time of day.
- Day of week.
- Department.
- Location.
- Worker's supervisor.

Most of the items on the above list have various coding schemes used by different insurers or self-insurance service bureaus.

It is important that the coding scheme chosen be sufficiently detailed to be useful, but not so detailed as to be cumbersome.

For example, separate codes for each of the 10 fingers may be more detailed than necessary. A single code for "fingers" probably would be quite sufficient for loss-control purposes.

The usual practice is to report on the most prevalent values for each coded item either by frequency or severity.

Continued on next page

How to select the right RMIS

By David A. Tweedy

THE SELECTION OF a risk management information system and a vendor for that system represents the culmination of all the hard work that we have discussed over the last several months.

At this point, the needs identification committee at the company buying the RMIS has determined what this particular RMIS should do, has designed the appropriate specifications and resulting request for proposal and is now awaiting a final selection of the right system and vendor.

What goes into the system/vendor selection process? A number of different scenarios are possible. For example, bids might be solicited from external vendors only, or perhaps may include a quote from your own data processing department.

But, whatever the situation, there are several criteria that should be the foundation of making an informed selection.

Proposal evaluation

Obviously, careful examination of the written proposals submitted by the bidders is a key factor. How well did each bidder respond to the specifications and questions?

In our experience, it is amazing how frequently bidders—whether they be brokers or vendors—omit important sections in the specifications. Whether that is by design or mistake, it gives the risk manager and his or her committee an important signal as to the motivation level or ability of that vendor to provide the required systems and services.

Some of the specifics to look for are:

- Price. By using a pre-designed bid tabulation sheet, you should be able to equally compare each proposal's cost, either by module purchased, cost per claim or whatever other equivalent measuring factor is used.
 - Documentation logic: How clear is the vendor's documentation package?
 - Reports: How readable and logical are the reports? How long does it take a report to be produced (if being sent from the vendor, instead of generated on location)?
 - System response time: How quickly does the system allow entry or extraction of data? In two seconds or two minutes? What kind of implementation and regular servicing provisions are made?
- Further areas to look for in a bidder's proposal are:
- The inclusion of a not-to-exceed price cap. This is especially important for time-sharing systems.
 - A data ownership guarantee (if you

must change vendors).

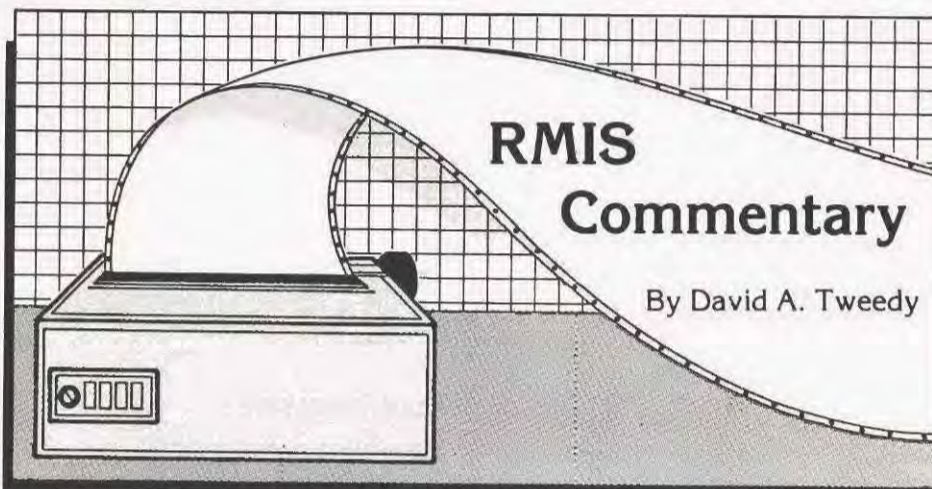
- A clear understanding of what party takes care of mistakes—you or the vendor.
- Provisions for automatic system updates and software developments at no charge.

These are some of the more common specifics to be included in a request for proposal and used as selection criteria. There are many other similar questions.

Qualifications

Qualifications are actually part of the written proposal, but they are a critical area and deserve special attention.

One of the key factors in weighing various proposals is a vendor's relative



experience with organizations similar to yours. The vendor should be willing to provide a list of its clients, which should not only provide the names and phone numbers of companies similar to yours, but also a cross-section of different types of organizations. This would give a risk manager a relative idea of how flexible the prospective vendor is.

At the same time, you will want to see a preponderance of experience in your particular area of industry. For example, if you are a retail chain store, you will want to see other similar retailers listed as clients.

Make sure that you talk to the risk managers of as many of these organizations as possible to get a good understanding of how well the system performs and, more importantly, how well the vendor performs when there are problems.

An even better bit of information would be to talk to past clients of the prospective vendor and find out what their problems were and if they were changed.

Generally, a rule of thumb is the more expensive the system, the more research is necessary on the vendor's qualifications.

Some of the important questions to ask

references while reviewing proposals are:

- How long has the vendor been in business?
- What kind of downtime does the system experience?
- How fast does the vendor respond to problems?
- What kind of track record does the vendor have in meeting promised deadlines?

Oral presentation

The next evaluation point is the in-person presentation of the system to the RMIS selection committee. Not only is this a good time to ask all the questions derived from your evaluation of the written proposal and the credentials and

references, but it also gives the committee an excellent opportunity to see an actual system demonstration.

Physically witnessing the system work is much different than viewing the documentation in colorful brochures. Actual demonstrations tend to point out some of the glitches in a system and it is better that you find out now—rather than after—the installation.

Find out if those making the oral presentations represent the team that actually will be providing the services for your company. Sometimes, those making the oral presentation are simply members of a specialized "S.W.A.T." team whose chief function is making sales presentations.

It is far more useful to the buyer to meet those who will be responsible for installing and modifying the system as required, and providing the training and servicing required over the years. These are the people you should meet and expect to see in the oral presentation.

Intangibles

There are always intangibles surrounding an important decision. One such example is the "chemistry" between the vendor and the prospective client.

Beyond specification compliance, acceptable reports, service, etc., the ability to work well together is most important.

This is very difficult to measure during the short time span of renewing proposals, credentials and observing the oral presentation. Yet, it is our experience that such determination of proper chemistry can be achieved if the selection committee has been careful in preparing for the selection process.

One of the ways to determine if such a chemistry is possible is if you believe that you, as the client, will be an important part of the proposed risk management information system team. Any effective information system must have active participation from both management and staff levels of the client.

If the objective of the selection committee is to simply buy a "black box," which magically takes care of all the elements of a risk management program, that buyer is in trouble. A system—and that includes the system vendor—must grow together with the client as the organization's needs change. They must also be able to work and communicate well together.

In summary, the process of finally selecting the best vendor is quite similar to any other bid project. If solid planning has gone into the development of the request for proposal, which is based on a solid needs identification study, the responses from the vendors should be more easily evaluated.

There is, however, one important difference that is an advantage to the system selection committee: Unlike an insurance bid situation, there is no time deadline.

If the system's selection committee is torn between two equally qualified vendors, simply extend the time and ask for clarifications or additional information.

After all, once a system has been selected it is very expensive to change to another.

Be sure the right risk management information system has been selected in the first place.

David A. Tweedy is a risk management consultant for D.A. Betterley Risk Consultants Inc. in Worcester, Mass. He is the assistant editor of Betterley Risk Management Commentary and the author of



RMIS Update, a yearly publication analyzing major risk management information systems and vendors. His column on risk management information systems appears the third Monday of every month.

Information systems can help companies reduce risk

Continued from previous page

This is usually confined to a single location or groups of similar locations. Some systems will go a step further and list, for example, the most frequent causes for the most severe injury type.

It is worth noting that the first five items of the list directly correspond to the two most popular theories of loss control: Haddon's Energy Release Theory and Heinrich's Domino Theory.

Haddon's Energy Release theory explains that

accidents occur when energy is released and strikes a structure that cannot withstand that energy.

Heinrich's Domino Theory describes accidents in terms of an unbroken chain of events that leads to an accident.

The first four items—agency, cause, body part and injury type—correspond to Haddon's four components of an accident: energy source, interaction, target and result. In fact, some information systems actually use those names.

The second and fifth items—cause and secondary cause—correspond to Heinrich's idea of a chain of events leading to an accident. Some systems extend this idea further and record an underlying cause as well.

In summary, there are many ways a risk management information system can assist the loss-control function. It is simply a matter of collecting the relevant data and reformulating it into the most useful format.

There is some cost associated with these processes, but the savings can be substantial. ■

Blues should be taxed like insurers: Stark

By JERRY GEISEL

WASHINGTON—The nation's Blue Cross/Blue Shield plans should be stripped of their tax-exempt status, a congressman says.

Rep. Fortney (Pete) Stark, D-Calif., said a report released this month by the General Accounting Office, an investigative arm of Congress, supports the conclusion that the Blues should be subject to taxes.

The GAO report, requested by Rep. Stark, who led a successful effort last year to include a provision in the House-passed tax overhaul to remove the Blues' tax-exempt status, found that Blues plans were more similar to, than different from, health care plans offered by commercial insurers.

"The Blues were founded in the 1930s to promote the social welfare of the community," said Rep. Stark.

"But today they behave like any other commercial provider of health insurance. If the Blues behave like a commercial provider, they should be taxed like a commercial provider," Rep. Stark said.

Rep. Stark said the House-Senate conference committee now meeting to resolve differences between the two tax-overhaul bills should retain the House provision and use the estimated \$1.7 billion saved by removing the Blues' tax-exempt status to lower tax rates for middle-income families.

Among other things, the GAO report found that the Blues plans do not offer open enrollment to the general public in 35 states. Where they do offer open enrollment they differentiate the coverage or the fees for people enrolled during that time.

A Blues spokeswoman, however, said there were major inaccuracies and omissions in the GAO report.

"We think there are far more differences than similarities in the (Blues and commercial) plans," the spokeswoman said.

For example, in a letter to the GAO, Mary Nell Lehnhard, vp-federal affairs in the BC/BS Washington office, took issue with the GAO's conclusion that the Blues' pricing patterns are similar to those of the commercial companies.

She said the GAO described a BC/BS plan that charged just \$8 a month more for those with otherwise uninsurable conditions who enroll during an open enrollment period as "similar" to a commercial plan that charged those with medical problems a premium 250% higher than the premium healthy individuals would pay.

COBRA mandates

Requiring employers to extend their group health care programs to former employees and to widowed and divorced spouses isn't the only health care benefit mandate laid down by the Consolidated Omnibus Budget Reconciliation Act, notes consultant William M. Mercer-Meindinger Inc.

In its latest Public Sector Report, Mercer-Meindinger describes several other COBRA health care provisions that have received little attention. Those provisions:

- Require companies with at least 20 employees to give workers and their spouses the choice between enrolling in the employer's group health insurance plan or the federal Medicare program for primary coverage.

Previously, making this choice between employer plans and Medicare only applied to workers and spouses between 65 and 69. The new provision went into effect May 1.

- Require state and local governments to pay the Medicare por-

tion of the Social Security payroll tax for most employees hired after March 31. The newly hired employees and their employers each would be taxed at the rate of 1.45% on the first \$42,000 of wages.

There is an excellent chance that Congress eventually will mandate Social Security coverage in the near future for all state and local government employees, Mercer-Meindinger notes.

"It seems prudent, therefore, that public employers not currently covered by Social Security consider the effects of mandatory coverage on existing benefits and develop a long-range strategy so that change in their benefit programs can be implemented in an orderly and consistent manner," Mercer-Meindinger says.

COBRA was signed into law on

washington

April 7 by President Reagan.

Employee leave bill

Employers should keep their eyes on the Family & Medical Leave Act of 1986 now pending before the full House, experts advise.

The legislation, H.R. 4300, approved last month by the House Education and Labor Committee, would require companies with 15 or more workers to provide employees with up to 18 weeks of unpaid leave for the birth, adoption or serious illness of a child or to care for a dependent parent.

The measure also would require companies to guarantee the same or

a similar position to those who take unpaid leave. A similar bill, S. 2278, is being considered by the Senate Labor and Human Resources Committee.

IRA position eased

The Reagan administration appears to be softening its line on curtailing Individual Retirement Accounts.

The administration initially endorsed a key provision in the Senate-passed tax overhaul legislation that would bar workers covered under employer-sponsored pension plans from taking tax deductions for their contributions to IRAs. Under a 1981 tax law, \$2,000 annual tax deductions are allowed for IRA contributions.

But President Reagan said this

month in a speech before Alabama business executives that IRA eligibility rules should be more liberal than those agreed to by the Senate. The House tax bill, which a congressional conference committee is trying to reconcile with the Senate version, lacks a comparable IRA provision.

Mr. Reagan said he felt that it was important for the conference committee to "preserve the taxpayer's ability to invest" in IRAs, "especially those who don't participate in a pension plan." The president did not give any specifics.

The IRA provision in the House bill would only affect those workers participating in 401(k) salary deferral plans. Under that provision, IRA contributions would be reduced by any amount deferred to a 401(k).

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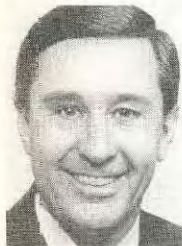
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Krutek named chairman of Hall of Illinois

comings & goings: industry

Donald J. Krutek has been named chairman and chief executive officer and **Wayne L. Schnapp** was appointed executive vp of Frank B. Hall & Co. of Illinois in Chicago.



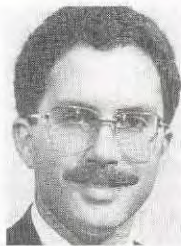
Mr. Krutek

As chairman and CEO, Mr. Krutek, 48, will act as the Chicago office's profit center manager.

He comes to Hall after 15 years with Arthur J. Gallagher & Co. in Rolling Meadows, Ill., and a brief stint at Darien, Conn., consultant Tillirghast, Nelson & Warren Inc.

Mr. Krutek's 27-year career in the insurance industry includes ur-

derwriting and management positions with Atlantic Cos. in Chicago and the Great American Insurance Co. and Security Mutual Casualty Co.



Mr. Schnapp

Mr. Schnapp, 32, joined Hall in 1981 as an account executive and was promoted to vp-special projects. He later was named vp-product development.

Prior to joining the company, he was manager of operations-analysis at CNA Insurance Co.

In his current position of executive vp-insurance operations, Mr. Schnapp also will act as regional marketing coordinator for Hall's midwest region.

He is a member of the Frank B. Hall Product Facility Planning Committee and is Frank B. Hall & Co. of Illinois' designated representative to the Assn. of Lloyd's Brokers.

Also at Hall, **George E. Corde** was elected executive vp of the New York office. Mr. Corde retains the title of chairman-Hall Services division, and in his new role will be responsible for overall corporate marketing strategy.

In other broker changes:

Richard M. Chappell Jr. named managing vp of Alexander & Alexander Inc.'s Phoenix office, which opened in May following A&A's acquisition of The Charles Co. The office is A&A's newest with 25 employees.

Also at A&A, **Allan P. Keller** named managing vp of the Orange County office and **Douglas L. Porter** named managing vp of its Portland office.

James Gault recently was named area president for the New York branch office of broker Arthur J. Gallagher & Co. He previously was a division vp of national risk management sales with AJGCo. at its headquarters in Rolling Meadows, Ill.

Leland R. Moran named underwriting vp of Shoal Associates, a commercial insurance agency in

Wilkes-Barre, Pa., which specializes in property/casualty and life and health coverage.

Steven J. Harter named senior vp at Financial Guardian Inc. of Missouri and of FG Technical Services Inc. Mr. Harter will be national director of marketing and special programs. He currently is president-elect of the Independent Insurance Agents of Missouri. Also, **Vernon E. Dockendorf** named executive vp of Financial Guardian Inc. of California. In addition, **Lowell Haberer** joined the Lombard, Ill., office as vp and assistant general manager.

J. Sterling Shuttleworth appointed vp of McDonough Caperton Risk Services in Atlanta, a new subsidiary of McDonough Caperton Insurance Group. Mr. Shuttleworth previously has been affiliated with Employers of Wausau, Frank B. Hall & Co. Inc. and Marsh & McLennan Cos. Inc.

Carl Kocher named managing vp of Poe & Associates Inc.'s Miami office. Mr. Kocher had been vp and manager of Poe's Winter Haven, Fla., office. In addition, Poe has appointed **Walter E. Wisniewski** senior vp and **J. Norman Monfort** and **W. Douglas Wakeling** vps, all in its Tampa, Fla., office.

Albert A. Skwiertz named vp and general counsel of The Crump Cos. Inc. Mr. Skwiertz formerly was vp and assistant general counsel at Alexander & Alexander Services Inc. Also at the Memphis, Tenn.-based brokerage, **Frank J. Huffman Jr.**

named vp and **George P. Hilditch** named senior vp and manager of Northern California operations.



Mr. Hilditch

Burt N. Sempier named director of Johnson & Higgins.

Mr. Sempier, currently senior vp and chief financial officer of the company since 1982, will continue to supervise the firm's treasury, tax, accounting, auditing, financial reporting and analysis and real estate activities.

Also at J&H: Six members of the New York Property Department were

named vps: **William J. Ahearn**, **Robert J. Appeldoorn**, **Peter Bos-twick III**, **Daniel G. Kennedy**, **Madeline M. Maguire** and **Howard B. Whitmore**.

Three new international director positions were created by Fred S. James & Co. Inc. of New York: **Eliot H. Pardee** will head the western region; **Peter A. Rodaway** will be in charge of the central region; and **Charles D. Walters** will head the eastern region. Also, **George M. Dumas** named manager of the international department of James' New York office.

Richard R. Wood appointed senior vp and chief staff officer at Hobbs Brook Agency Inc., the brokerage subsidiary of Arkwright-Boston Manufacturers Mutual Insurance Co., a supplier of risk management services.



Mr. Wood

Clifton T. Whitehead, assistant vp on commercial accounts produc-

Continued on next page

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Continued from previous page
 on for Noyes Services of Media, Pa., has been elected vp. Mr. Whitehead joined Noyes Services in 1975 from Commercial Union Insurance Co.

Roy Cashion III named vp and general manager of John C. Weghorn Agency Inc. in New York. Prior to this appointment, Mr. Cashion was New York regional administrative manager of the American International Group Inc.

Raymond B. Falk named president and chief executive officer of Corroon & Black Corp.'s New Orleans, La., office. In addition, **Lawrence N. Diggs** named senior p-large account planning and development at Corroon & Black's Michigan subsidiary in Detroit.

Anita Z. Bourke named vp-market and product development, newly created position at PENCO, wholly owned subsidiary of Corroon & Black.

Coy Hollingshead named vice chairman and **James P. Bayne** named president and chief executive officer of Rollins Burdick Center of Oklahoma Inc.

Other changes at RBH include: **Trond R. Bodal**, **Thomas A. Metendorp** and **Valerie LaBerge**, all of the marine department, named vps. **Bryce R. Farren** named vp in the property/casualty department.

Insurers

Jack S. Hupp named chief operating officer of The Seibels Bruce Group Inc. of Columbia, S.C. Mr. Hupp also maintains his responsibilities as president of the company. Also at Seibels, **Sterling E. Beale** named chairman and chief executive officer and **W. Thomas Reichard III** elected executive vp. Mr. Beale previously was vice chairman and treasurer of Seibels. Mr. Reichard previously was executive vp responsible for product management and marketing.

Stephen R. Smith has been elected president and chief operating officer of the Harleysville Mutual Insurance Co. of Harleysville, Pa. Mr. Smith will be responsible for the claims, marketing and underwriting departments and branch office operations. He also will oversee the property and casualty operations of Harleysville Group Inc. and its subsidiaries: Harleysville Insurance Co. of New Jersey, Huron Insurance Co. and Worcester Insurance Co. Mr. Smith, 39, previously was executive vp of U.S. Insurance Group, a unit of Crum & Forster.

Marvin L. Demuth elected vp of Fidelity & Deposit Co. of Maryland. Mr. Demuth, who has been with the company for 31 years, previously was resident vp.

Mario J. Vitiello named senior vp of The North River Insurance Co. of Basking Ridge, N.J., a unit of C&F Underwriters Group, which is a Crum & Forster company. Mr. Vitiello will be the chief financial officer.

Dan R. Carmichael and **Barry J. Gilway** named executive vps at U.S. Insurance Group of Basking Ridge, N.J., another Crum & Forster unit. Mr. Carmichael will be responsible for field operations, which include eight regional offices and three service centers. He previously was a senior vp. Mr. Gilway will be responsible for all administration, claims marketing and underwriting activities. He previously was senior vp-field operations.

Glenn S. Thomas named vp-commercial property for Transamerica Insurance Co. of Irvine, Calif., a subsidiary of Transamerica Insurance Corp. Mr. Thomas previously was vp of commercial accounts for Industrial Indemnity Co.

John C. Lindgren elected chief operating officer and senior vp of Unigard Security Insurance Co. of Seattle, Wash., a unit of the John Hancock Group. Mr. Lindgren previously

was a consultant to Unigard.

Klaus O. Shigley elected vp-group pension guaranteed product services for John Hancock Mutual Life Insurance Co. of Boston, a unit of the John Hancock Group. Mr. Shigley previously was second vp-group pension guaranteed products.

Frank Greaney appointed senior vp-cost containment for American General Group Insurance Co. of Dallas, a subsidiary of American General Corp. Mr. Greaney, who has 15 years experience in hospital administration, joined American General in 1984.

Dennis A. DiMarzio elected vp of Arkwright-Boston Manufacturers Mutual Insurance Co. of Waltham, Mass. Mr. DiMarzio maintains his duties as manager of policy production. He previously was an assistant vp.

Robert E. Burrowes and **Charles T. Wilson** elected vps of Chubb & Son Inc. of Warren, N.J.

Mr. Burrowes is branch manager of Chubb Group's San Diego office. Mr. Wilson is the branch manager of Chubb Group's Montreal office.

James E. Gillespie named vp and chief actuary of the property and casualty division of The Signature Group of Schaumburg, Ill., a subsidiary of Montgomery Ward & Co. He will oversee pricing and reserving of all commercial and personal lines and play a major role in product development and enhancement. Mr. Gillespie previously was an actuary with CNA Insurance.

Glenn Keatts elected vp/actuary of the actuarial department of United States Fidelity and Guaranty Co. of Baltimore, a subsidiary of USF&G Corp.

Peter McPartland and **Herbert Hausmann** appointed resident vps of Fireman's Fund Insurance Cos. Mr. McPartland, who previously was manager for CIGNA's Des Moines, Iowa, branch office, will manage Fireman's Fund's Denver branch office. Mr. Hausmann, who

previously was excess and special risks manager in Fireman's Fund's Chicago branch, will manage the Rolling Meadows, Ill., branch.

Clifton J. Brown named senior vp of Continental Guaranty & Credit Corp. of New York, a unit of Continental Corp. Mr. Brown will be responsible for financial risk insurance products. Mr. Brown previously was assistant secretary of financial services.

Several vps appointed at Wausau Insurance Cos. of Wausau, Wis., **Earl M. Helvick** named vp of the Midwest region, responsible for commercial lines operations in Missouri, Kansas, Nebraska, Colorado, Wyoming and Iowa. **Bradford L. Bariak** named vp of special projects, responsible for monitoring, coordinating and gathering information for projects between Wausau and other companies in the group. **James A. Hannes** elected vp-casualty products, responsible for developing and maintaining all commercial casualty products. **Jef-**

frey L. Zriny elected vp-alternate health care delivery systems in the home office life and health operations, responsible for directing operations of six company-sponsored prepaid health protection plans in Wisconsin and managing the North Central Health Protection Plan in Wausau.

The Home Insurance Co. of New York has announced several appointments: **F.A. Mina** elected executive vp and maintains his duties as senior underwriting officer for all commercial casualty operations and president of Home subsidiaries City Insurance Co., Home Group Risk Services Inc. and Cityvest International Ltd.; **Bruce W. Slaughter** elected executive vp and retains his duties as director of field operations, Midwest region head and supervisor of the National Personal Lines Operation; **Arthur S. Phillips** elected executive vp and retains his duties as president of The Home Insurance Co. of Indi-

Continued on next page

J&H INFOLINE

INFORMATION AND IDEAS ON RISK MANAGEMENT AND BENEFITS FROM JOHNSON & HIGGINS

NO. 18

Health Care Delivery Systems Proliferate: Careful selection is essential.

Alternative delivery systems are proliferating as employers continue their search for effective medical plan cost containment.

One result has been a significant reshaping of medical plan offerings to employers. Among the most innovative is the triple-option plan that gives employees a choice of health care delivery systems. In addition to traditional insured medical plans, employees can select from Health Maintenance Organizations (HMOs) and Preferred Provider Organizations (PPOs).

Triple-option plans may offer employers cost containment opportunities. Key to the effectiveness of these plans are an actuarial analysis of current medical plan costs and utilization as well as a demographic analysis of the work force.

Other issues that must be examined are:

- whether provider discounts are based on "reasonable and customary" rates or on rates that are inflated
- whether the provider has a history of charging more than original cost estimates
- whether the system has built-in utilization controls
- what kinds of quality controls are in place
- whether the HMO or PPO will negotiate rates based on the demographics of the employees who enroll.

Potential for cost containment is directly related to clear understanding of provider services as well as the true cost of those services. The bottom line for employers is to be sure that alternative delivery systems do not add cost to existing benefit budgets, and that these alternatives deliver the quality of care that satisfies employees.

If you want help in analyzing your options, call the nearest Johnson & Higgins office or Richard Murdock at the Johnson & Higgins Consulting Resource Center in Princeton, NJ, (609) 520-2292.

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comings & goings: industry

Continued from previous page
ana, the company's principal vehicle for marketing special casualty and related products, and general manager of The Home Transportation Agency, a trucking insurance facility; and **Glenn Michael Bourgeois** elected senior vp of The Home Insurance Co. of Indiana, a subsidiary of The Home Insurance Co. in Carmel. Mr. Bourgeois previously was vp.

Therese A. Maloney named senior vp of underwriting, underwriting administration and marketing at Liberty Mutual Insurance Co. and elected vp at Liberty Mutual Fire Insurance Co., both of which are affiliates in the Boston-based Liberty Mutual Insurance Group. Ms. Maloney succeeds **Walker S. Richardson**, who is retiring. Ms. Maloney previously was vp and manager of Liberty Mutual Group's National Risk Underwriting Department. Also, **Richard E. Leeman** elected vp and manager of the department, succeeding Ms. Maloney.

Leonard D. Schaeffer appointed president and chief executive officer of Blue Cross of California. Mr. Schaeffer previously was president of Group Health Inc., a health maintenance organization.

Timothy L. Mitchell named vp of the brokerage and special operations group of Continental Corp. of New York. Mr. Mitchell will be responsible for developing insurance products for the health care industry. Mr. Mitchell previously was a vp with General Reinsurance Corp.

Edward R. Kinnebrew III named president of Crump Aviation Underwriters in Memphis, Tenn., a unit of The Crump Cos. Inc. Mr. Kinnebrew previously was executive vp. He joined the Crump organization in 1962 as a broker with Crump London Underwriters.

Thomas H. Rowley named vp-direct operations at American Mutual Insurance Cos. in Wakefield, Mass. Before joining American, Mr. Rowley was with the Berkshire Hathaway Co. He also served as president and chief executive officer of Continental



Mr. Rowley

Divide Insurance Co. in Denver and was chairman of Cornhusker Casualty Co., Omaha, and Kansas Fire and Casualty Co., Topeka, all subsidiaries of Berkshire Hathaway.

HMOs

David A. George named vp of PruCare of Orlando, a Florida-based health maintenance organization subsidiary of Prudential Insurance Co. of America. Mr. George will be responsible for the operation and continued development of the HMO's health care operations in Central Florida. He replaces **James G. Carlson**, who has transferred to Los Angeles to head Prudential's West Coast health care management operations.

Excess/surplus

David T. Cederholm named senior vp of CFMC Inc., formerly Crum & Forster Managers Corp., in New York. In his new capacity as chief underwriting officer, Mr. Cederholm will be responsible for ex-

cess and surplus lines insurance and reinsurance underwriting.

Allan Rodgers, 46, named president of Stewart Smith Mid America Inc. and a director of Stewart Smith Holdings Inc. Previously, Mr. Rodgers was vp and head of the Chicago office of NBA Excess and Surplus Lines Inc., a wholly owned subsidiary of Marsh & McLennan Cos. Inc.



Mr. Rodgers

Also, **George Gibbs** named president and COO of Stewart Smith Holdings. Pat Osborn will remain chairman and chief executive officer. **Edward Casey** will take over Mr. Gibbs' position as president of Stewart Smith West.

Don Flanders named senior vp of Guaranty National Insurance Co., a specialty, property/casualty company based in Englewood, Colo.

Reinsurers

Chester W. Richards named senior vp-underwriting at Mead Reinsurance Corp. in Dayton, Ohio. He has almost 30 years in the insurance industry, having worked for both North American Re Corp. and CIGNA Corp.

Peter B. Scanlan named vp and director of W.O. Hart & Co. Inc. of Stamford, Conn. Previously, Mr. Scanlan was an assistant vp at Thomas A. Greene.

Thomas J. McGeough named vp of Skandia American Group. Mr. McGeough was with Skandia from 1975 to 1978 and rejoined the company in 1984 as associate general counsel. He previously was associated with Prudential Reinsurance, Gerling Global Reinsurance and Royal Insurance.

Also named vp at Skandia is **James E. Migliorini**, who joined the company as treaty underwriter in 1984. Before joining Skandia, he was employed by Fremont Reinsurance in San Francisco and Argonaut Insurance Co.

John Marett named senior vp and director of Pinnacle Reinsurance Co. Ltd., Hamilton, Bermuda. Mr. Marett recently rejoined Pinnacle after an absence of two years. He was a founding member of Pinnacle and has extensive experience in financial reinsurance underwriting and marketing. Most recently, Mr. Marett had been president of Forum Reinsurance Co. Also at Pinnacle, **Bruce Swann** named chairman.

Ronald V. Martin named senior vp of G&R Intermediaries Inc. in New York, a unit of Gill & Roeser Cos. Mr. Martin will be responsible for development of property and casualty treaty reinsurance. He had been executive vp of American Independent Reinsurance Co. and previously worked at National Reinsurance Co.

Other suppliers

Andrew R. Daniels appointed vp of operations in the New York office of risk management consultant Risk Sciences Group, a subsidiary of Crawford & Co. Mr. Daniels

Continued on next page

Euratom seeks world nuclear transport policy

worldwide

DAVOS, Switzerland—Euratom, the association of European nuclear fuel users, is seeking an international agreement on how shipments of nuclear fuels and wastes throughout the continent should be insured.

Such an agreement could lead to the creation of a "Euratom insurance policy" that would cover shippers, nuclear power plant owners, government entities and others associated with the nuclear industry.

Currently, there is no efficient international agreement on insurance coverage for the transport of nuclear material, agreed the more than 300 experts from about 30 countries who attended a United Nations symposium on transport and packaging of radioactive wastes organized by the International Atomic Energy Agency.

Instead, most countries have individual rules governing insurance for nuclear waste transport, such as the U.S. Price-Anderson Act.

The Price-Anderson Act requires "anyone liable" for "any legal liability arising out of or resulting from a nuclear incident," except the federal government, to purchase insurance, explained Omer F. Brown II, a lawyer with the Washington, D.C., firm of Rivkin, Radler, Dunne & Bayh.

By comparison, West Germany's compliance rules do not clearly state who are the "competent authorities" responsible for securing insurance for nuclear transport, criticized Karl Weiser of the German

Institute for (Nuclear) Materials Testing.

While Euratom is seeking to produce a global liability insurance agreement for nuclear transport that would cover all parties, the IAEA prefers companies that transport nuclear materials be responsible for purchasing coverage, said Uli Wenzel, an IAEA official.

However, this produces problems in some countries.

For example, in West Germany the operator of a nuclear installation could still be held liable for damage caused by the transport of nuclear substances, said F.W. Collin, an expert from that country.

Two other German experts,

Manfred Oehm and Hans Matto, also cited insurance problems created by incidents like the 1983 sinking off the Belgian coast of the French freighter Mont Louis, which was carrying radioactive wastes.

As long as the salvage costs are covered by transport insurance or nuclear third-party liability insurance, there are no particular problems, they said.

"However, the legal provisions of nuclear liability as well as the corresponding insurance only apply to cases where a nuclear accident has happened, which means the containers in which the radioactive material is transported must have been so damaged in the course of the accident that they start to leak," Mr. Oehm said.

"That, again, is rather unlikely.

Thus, one can say that the nuclear third-party liability insurance most probably will not provide coverage for salvage cost."

Barbados resignation

BRIDGETOWN, Barbados—David King resigned as legal counsel to the Central Bank of Barbados July 1 to form the law firm of King & McClurg with Hamish G. McClurg, an attorney in private practice on Barbados.

The firm will provide registration and resident representative services for captives.

In his capacity as legal counsel to the Central Bank, Mr. King drafted Barbados' Exempt Insurance Act and Foreign Sales Corporation Act and spearheaded the promotion of Barbados as a captive domicile. ■

comings & goings: industry

Continued from previous page
previously was director of marketing in RSG's California office. He succeeds **Richard F. Denning**, who was appointed president and chief executive officer of RSG earlier this year.

Associated Claims Management Inc. of Walnut Creek, Calif., has made several appointments: **C. David White** named executive vp and president of the company's Southern division, which will assume responsibility for servicing accounts in Arizona and Nevada; **Gary S. Graham** appointed to vp in the Southern division; **Larry D. Mornhinweg** named vp in the general liability division; **Charles L. Axtell** appointed vp-workers compensation in the Walnut Creek office; **David F. Nolan** named president of the newly established Santa Clara, Calif., division; and **Martin A. Grable** named vp in the Santa Clara division.

John H. Cassidy named chief executive officer of Shipowners Claims Bureau, the New York-based insurance company management and claims adjusting subsidiary of Johnson & Higgins. Mr. Cassidy retains his duties as chairman of Shipowners.

Douglass Smith named consultant in the Fort Lauderdale, Fla., office of The Structured Settlements Co. of Los Angeles. Mr. Smith most recently was director of claims for International Medical Centers, a Florida health maintenance organization.

Phillip J. Brown and **Joseph M. Earley** named vps in the new Denver office of Cranwill Associates Inc. of New York, a structured settlements firm.

Glenn A. Evans named senior consultant in the San Francisco casualty actuarial/risk management practice of Detroit-based Coopers & Lybrand. Mr. Evans previously was with Argonaut Insurance Cos. and Transamerica Insurance Group.

James F. Cerone appointed to head the newly established Chicago claim management consulting division of the property and casualty insurance practice of Milliman & Robertson Inc. Prior to joining the actuarial and employee benefits consulting firm, Mr. Cerone was a vp and consultant with Tillinghast, Nelson & Warren Inc.

Martha Prince appointed quality assurance supervisor at Health-Care COMPARE Corp. of Lombard Ill., a utilization review firm. Ms. Prince previously was director of review for the Illinois Foundation of Medical Review. ■



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Crum & Forster sells aviation underwriting unit

Aviation Office of America Inc., a unit of Crum & Forster Inc., has been sold to Folmar Corp. of Dallas for about \$16 million.

Folmar Corp. was recently formed by the management of Aviation Office of America and Mason Best Co., a merchant banking firm in Dallas, said a spokesman for Crum & Forster in Morris Township, N.J.

The organization will eventually change its name to AOA Crop., the spokesman added.

Aviation Office of America provides facilities for underwriting all forms of general aviation and commercial airline insurance and reinsurance.

Crum & Forster purchased the wholesaler in 1977, said the C&F spokesman. The division had a premium volume of more than \$150 million in 1985.

The company underwrites on behalf of 45 insurers, including Crum & Forster units.

Folmar Corp. is located at Love Field Terminal Building, Dallas, Texas 75235; 214-353-1400.

HMO acquisition

Los Angeles-based Maxicare Health Plans Inc., a health maintenance organization group, will acquire the some five million remaining shares of Healthcare USA Inc., another HMO operator, under an agreement signed by the companies earlier this month.

Under the agreement, Maxicare has offered Healthcare USA \$13.50 a share, or about \$67 million, said a Maxicare spokeswoman.

The agreement is expected to close in late August or early September, pending approval by Healthcare USA's shareholders and any regulatory approvals, she said.

Maxicare operates health maintenance organizations in 14 states. Healthcare USA operates HMOs in California and Detroit, Michigan, she said.

Maxicare acquired 609,000 shares of Healthcare USA's 5.1 million outstanding shares between March and May for about \$8.85 a share or \$5.4 million, said a spokeswoman for Maxicare. The acquisition gave Maxicare about a 12% stake in the Orange, Calif.-based health maintenance organization.

After the purchase is completed, the Southern California operations of Healthcare USA will remain an independent entity, operating as a division of Maxicare, while the Detroit operations of Healthcare USA will probably be renamed Maxicare, the spokeswoman said.

The combined annual revenue of the companies is expected to be about \$1 billion and the membership will reach about 1 million, she added.

Marine claims service

Hull and marine cargo insurance claims adjusting services are the specialty of Richards, Reilly Inc., a new joint venture between New York-based Richards, Hogg International and Reilly Associates Loss Management of San Francisco.

The new company will operate from offices in San Francisco and Seattle.

"The office of Richards, Hogg in Seattle and Reilly's office in San Francisco will each contribute to the joint venture, providing claims adjusting and counseling," said Geoffrey Bycroft, a partner with Richards, Hogg.

"Initially, we will concentrate on hull and marine cargo, with emphasis on tug and barge work and fishing boats," he added.

Richards, Hogg is an international marine adjusting and consulting firm. Reilly Associates is an independent marine claims consul-

tant based in San Francisco.

"The new venture will service the western coast of North America, including Hawaii. Basically, we are after the Pacific rim trade," Mr. Bycroft said.

Mr. Bycroft and James J. Reilly—founder and owner of Reilly Associates—will serve as a directors of the venture.

Richards, Reilly is located at 131 Steuart Ave., Suite 500, San Francisco, Calif. 94105; 415-543-3431.

Property reinsurance

Domestic and overseas insurers

markets

can now obtain property treaty reinsurance through Atlantic Management Services Inc., a new division of the New York-based Atlantic Mutual Insurance Cos.

Atlantic Management Services was formed with the acquisition of R.C. Reinartz, a San Antonio, Texas-based treaty reinsurance underwriting manager, according to Robert C. Reinartz, president of the new Atlantic division.

"R.C. Reinartz was merged into

Atlantic Management Services, a subsidiary of Atlantic Holdings Inc., which is a stock management holding company," Mr. Reinartz explained.

The reinsurer will primarily underwrite excess and pro rata property treaty reinsurance on behalf of domestic and overseas insurers, he said.

"We will write very little casualty mainly because we are most concerned about tort reform and the liability crisis and the inability of insurers to write policies which successfully provide only intended coverage," Mr. Reinartz explained.

But, "it is anticipated that the company's products and capabilities will expand as opportunities present themselves," he added.

Atlantic Management Services is located at 11865 Interstate 10 W., Suite 609, San Antonio, Texas 78230; 512-692-3552.

Aviation coverage

A new wholesale operation specializing in the placement of aviation insurance has been formed by Rollins Burdick Hunter of Kansas Inc.

Continued on next page

How Digital development nobody can h

If there's one thing that can make a computer company hot under the collar, it's watching millions of dollars worth of high technology products go up in smoke.

Fortunately, that's one experience Digital Equipment Corporation will probably never go through, thanks to two things. A very innovative risk management department. And a very innovative insurer. Arkwright-Boston.

RESPONSIVENESS WAS THE HOT BUTTON.

So, why does one of the world's largest computer companies pick an insurer like Arkwright-Boston to protect their computers?

Well, look at it this way. Digital is a leading supplier of information management systems and network products for the office and small business. With total revenues of more than \$5 billion, from operations in 48 countries on five continents, Digital needs an insurer that can react. And fast.

Which is precisely what we did when Digital asked us to help with a major challenge.

It seems that Digital, in an effort to protect their computers and peripheral equipment, packs them in foam plastic cushioning. A very good idea as far as shipping is concerned. A very flammable one as far as storage and fire hazards are concerned.

So we're working with Digital's own risk management and distribution teams to put our knowledge of fire hazards to good use. We're testing fire-resistant packaging they developed, which will be called, logically enough, the-box-that-doesn't-burn. Using the latest sprinkler technology and our years of fire research, the tests are rather extensive.

But in the end, we expect Digital's solution to be quite a breakthrough. For one thing, the new boxes will have low combustibility and will be a lot less expensive to manufacture. And because the packaging materials are expected to be FDA approved, there may be other applications outside the high tech industry.

Now, if you think the only thing Digital will end up with is a very effective way to protect their products from the ravages of a catastrophic fire, think again.

Continued from previous page

Don Flower Aviation Underwriters Inc., based in Wichita, Kan., will place a wide range of general aviation insurance, said Clint White, president of the new brokerage and formerly a vp of RBH of Kansas.

"Our main focus is on property and liability coverage for private or corporately owned airplanes," he said. "We are not strongly working on aviation products liability."

Flower Aviation also can place coverage for helicopters and for fixed base operations such as fuel station operators or mechanic shops at airports.

"We represent all of the major U.S. underwriters and we also have significant access to the London markets when needed," explained

Mr. White.

Flower Aviation is located at Mid-Continent Airport, P.O. Box 771089, Wichita, Kan. 67277-1089; 316-943-7406.

New reinsurance unit

Tanenbaum-Harber Co. Inc., a privately owned New York-based insurance broker, is forming a reinsurance brokerage subsidiary.

Tanenbaum-Harber Reinsurance Intermediaries Inc. will "broker a broad spectrum of treaty reinsurance, including property/casualty, life and health," said Ronnie Ellen Raymond, executive vp.

"We will begin with treaty reinsurance, but that's not to say we won't do facultative reinsurance in the future," she added.

Ms. Raymond will direct the new unit along with Walter L. Harris, president of the subsidiary. Mr. Harris is a practicing attorney and a broker with Tanenbaum-Harber Co.

Tanenbaum-Harber Reinsurance Intermediaries is located at 221 W. 57th St., New York, N.Y. 10019; 212-603-0200.

Japanese expansion

The Wyatt Co. has opened a new unit in Tokyo, expanding its international network of actuarial, benefits and compensation consulting offices.

The Wyatt Co. K.K. operates as a wholly owned subsidiary of Wyatt, said Burt Murdoch, a vp in the company's Stamford, Conn., office.

The new office will offer a full range of actuarial and benefits consulting services to both Japanese and multinational companies.

Eiji Mizutani, formerly a regional adviser on management and productivity in Asia and the Pacific for the United Nations International Labor Office, is the new president and representative director of the company.

Name changes

Farmland Insurance Co., a Des Moines, Iowa-based affiliate of Nationwide Insurance since 1982, has changed its name to **Nationwide Agribusiness Insurance Co.** The company specializes in property/casualty insurance for independent and cooperative agri-busi-

nesses. Nationwide Agribusiness is located at 1963 Bell Ave., Des Moines, Iowa 50315; 515-245-8800.

Acquisitions

The underwriting management firm of **Burns & Wilcox Ltd.** of Southfield, Mich., has acquired **Franklin Excess & Surplus Agency Inc.** of Columbus, Ohio. The Columbus offices of the two companies have consolidated and are located at 1380 Dublin Road, P.O. Box 650, Columbus, Ohio 43216; 614-486-3642.

Associated Reinsurance Management Corp. in Atlanta has acquired **Mann, Bergen, Driscoll & Associates** to expand its excess and surplus lines insurance operations, said a spokesman for ARMC. The new acquisition will become part of **Associated E & S Brokers**, ARMC's excess and surplus lines division.

Richmond, Va.-based **Hilb, Rogal & Hamilton Co.**, the nation's 14th-largest broker, has acquired **Chester C. Pagni Company** of San Diego, Calif. Pagni's operations will be merged into the San Diego office of Hilb, Rogal and Hamilton Insurance Services Inc., located at 1455 Frazee Road, Suite 500, San Diego, Calif. 92108; 619-295-9915.

The Laub Group Inc., an independent insurance agency based in Milwaukee, has acquired the **Angelici Insurance Agency** of Kenosha, Wis. and **Asset Protection Group** of Brookfield, Wis. Angelici will continue to provide commercial and personal lines of insurance as a division of the Laub Group. It is located at 716 58th St., Kenosha, Wis. 53140; 414-654-5371. Asset Protection will be merged into Laub's office at 839 N. Jefferson St., Milwaukee, Wis. 53202; 414-271-4292.

Fairfield, Conn.-based **Lineburgh & Co.**, an insurance brokerage and risk management consultant, has been acquired by **The Crump Cos. Inc.**

Peat, Marwick, Mitchell & Co. has acquired **Compass Consulting Group Inc.** Compass, which has offices in Bellevue, Wash., Chicago and Berkeley, Calif., provides health care cost-containment, alternative delivery system and health-care reimbursement system consulting services. Peat Marwick's Walnut Creek, Calif. office will be merged with the Berkeley office of Compass. Compass' Bellevue, office will be merged into Peat Marwick's Seattle office, while the Chicago office of Compass will be merged with Peat Marwick's Chicago office.

New offices

Alpha Aviation Insurance, a Teterboro, N.J.-based aviation insurance broker, has opened a branch office at 45 Derry Road, Hudson, N.H. 03051; 800-258-1530; 603-889-7580 in New Hampshire.

S.H. Smith & Co. has opened another office at 260 Franklin St., Boston, Mass. 02110; 617-439-6220.

Warren, McVeigh & Griffin opened an office July 1 at Two Mid-America Plaza, Suite 800, Oakbrook, Ill. 60181; 312-954-2320.

RFC Intermediaries Inc., a reinsurance brokerage, has moved to 1117 Perimeter Center W., Suite N-500, Atlanta, Ga. 30338; 404-392-9541.

CompDent of Indiana Inc. has relocated to 8395 Keystone Crossing, Suite 204, Indianapolis, Ind. 46240; 800-752-5882; 317-243-7081 in Indiana.

The Penn Mutual Life Insurance Co. is opening a new customer service operations center at the Walnut Grove Corporate Center, One Walnut Grove Drive, Horscham, Pa. 19044.

The risk management firm of **Rodriguez Consulting Group Inc.** has relocated to 4241 Baymeadows Road, Suite 1, Jacksonville, Fla. 32217.

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You see, when the company starts protecting their computers in the new containers not only will distribution costs of warehousing be dramatically lower, insurance costs will be a lot less too.

Which just goes to prove what we've been saying all along. Arkwright-Boston is not only a company that insures you. It's a company that protects you.

WHY OTHER INSURERS ARE FEELING THE HEAT.

Let's face it. Even a fire-resistant box like the one we're helping Digital create is no guarantee that the company will never suffer losses in a fire.

But if they ever do, one thing is for sure. They'll never get burned by their insurance company. Because Arkwright-Boston would be there to cover them every step of the way.

With blanket fire and extended coverage, boiler and machinery, and DIC. Coverages that Digital has worldwide.

And if you think you wouldn't get the same level of dedication, think again. Because we put the same high standards to work for all our insureds.

But don't take our word for it. Ask French's mustard. American Greetings. Or Morton Thiokol. They're all our clients.

So if the idea of an insurance company with this sort of dedication and creativity intrigues you, call or write us. But do it soon. Because if a disaster hits before we get together, your company could get burned.

Arkwright-Boston Insurance, Marketing Services, 225 Wyman St., Waltham, MA 02154, 1-617-890-9300, Ext. 3295.

The Digital logo is a trademark of the Digital Equipment Corporation, Maynard, Massachusetts.

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info

• Two full-color **employee communication booklets**, "Alcoholism in the Workplace," and "Alcoholism in the Family," have been published by Krames Communications. "Alcoholism in the Workplace" discusses ways in which supervisors and co-workers can deal with the problem of alcoholic workers. "Alcoholism in the Family" helps family members and friends to learn about and understand alcoholism, and where to go for help. For a free sample copy of both booklets write Krames Communications, Dept. ALC 49, 312 90th St., Daly City, Calif. 94015-1898; 800-228-8347; 800-445-7267.

• "Claims Processing for Benefit Plans" is a compilation of presentations made at the International Foundation of Employee Benefit Plans' 1985 Benefit Processing Institutes. The 60-page book costs \$7 for foundation members and \$12 for non-members. To receive a copy, write Publications Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

• A report entitled "Product Liability, the European Way" is available from Kusters Consulting International. The report contains an analysis of the new **European Community directive concerning strict liability for defective products**. For a free copy write Kusters Consulting International, 2100 Tanglewilde, Suite 392, Houston, Texas 77063.

• Information about companies that issue **surety bonds** is featured in a new pamphlet from the Surety Assn. of America and the National

Assn. of Surety Bond Producers titled, "Surety Companies—What They Are and How to Find Out About Them." The pamphlet is free from SAA, 100 Wood Ave. S., Ise-lin, N.J. 08830; or NASBP, 5454 Wisconsin Ave., Chevy Chase, Md. 20815.

• A 96-page monograph entitled, "Financial Guarantee Insurance," contains a broad overview of the "insurance product of the '80s." Copies of the monograph may be purchased from the Insurance Information Institute for \$20 by writing III, Publications Service Center, 110 Williams St., New York, N.Y. 10038.

• Details of a proposed arbitration clause developed by Insurance Arbitration Forums Inc. are available in a new brochure, "Excess/Primary Reinsurance Arbitration." For a free copy of the brochure contact Insurance/Arbitration Forums Inc., 200 White Plains Road, P.O. Box 66, Tarrytown, N.Y. 10591-0066; or call 914-332-4770.

• The Spring 1986 edition of the **Employee Benefits Book Catalogue** is available free from the International Foundation of Employee Benefit Plans. The free catalogue lists recently published books and research reports by the Wisconsin-based educational association. To receive a copy, write Publications Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

• A new, illustrated booklet on **smoking cessation**, "Three-step Program to Becoming SMOKE-

FREE FOR LIFE," is available from Krames Communications. Companies may find the booklet a valuable tool in smoking cessation programs and in reducing health care costs. For a free sample copy contact Krames Communications, Dept. SMF2, 312 90th St., Daly City, Calif. 94015-1898.

• Crawford & Co. has published a 24-page booklet containing a series of questions of special concern to risk managers: **risk control, risk information systems, claims management and environmental pollution claims management**. The booklet is entitled, "137 Questions to Ask Yourself Before You Renew" and was compiled from articles that first appeared in Crawford Risk Review. To obtain a complimentary copy write Crawford & Co. Market Communications Department, P.O. Box 5047, Atlanta, Ga. 30302.

• "The Relationship Between Age and Physical Disability Among Workers: Implications for the Future" is the title of a new study by the Menninger Foundation. The report discusses the foundation's study and examines employer-based return to work programs. The report (TMF-I010-14) is available for \$5 from the Menninger Foundation, Research & Training Center, 700 Jackson, Topeka, Kan. 66603; 913-233-2051.

• The International Foundation of Employee Benefit Plans has published a collection of edited **texts of presentations from the IFEBP's 1985 Health Care Cost Management Seminar**. Cost of the collection is \$12 for IFEBP members and \$20 for non-members. To receive a copy, write Publications Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-

786-6700.

• Custom-tailored **plan documents and summary plan descriptions for self-funded health care plans** are now offered by Hunter & Associates. Samples of the documents and descriptions are available for \$3.95. To order, write David H. Gluck, Hunter & Associates, 9842 Hibbert Street, Suite 152, San Diego, Calif. 92131; 619-578-7461

• A detailed explanation of the new **Pension Benefit Guarantee Corp. rules for single-employer pension plan terminations** can be found in "The Single-Employer Pension Plan Amendments of 1986: An Overview." Written by William G. Beyer, assistant general counsel of the PBGC, the book is available for \$20 from Charles D. Spencer & Associates Inc., Dept. T, 222 W. Adams St., Chicago, Ill. 60606; 312-236-2615.

• The Illinois State Chamber of Commerce has published a new folder, "How to Select a PPO." The free publication contains guidelines for using this new approach to managing a company's health care costs. Write Pamela D. Mitroff, Manager, Health Care Cost Containment Department, Illinois State Chamber of Commerce, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-7373.

• The **1986 California Labor Code Book** is available for companies with California-based employees. Six sections cover: Workers Compensation Insurance; Safety in Employment; Department of Industrial Relations; Employment Regulations and Supervision; Employment Relations; Fair Employment and Housing Code. Send \$25 to XTRADATA, 34 Can-

yon Island Drive, Newport Beach, Calif. 92660; 714-759-1707.

• A 36-page **Directory of Computer Security Products** is now being offered free from Computer Security Institute. The directory lists 93 different vendors of computer security products and services. Requests for the directory must be accompanied by a 9x12 inch envelope with \$1.24 postage affixed, smaller envelopes will not be accepted. Send to Phyllis St. Martin, Dept. R6, Computer Security Institute, 360 Church St. Northborough, Mass. 01532

• Union Mutual Life Insurance Co. has produced a booklet which outlines, in laymen's terms, **flexible benefit plans**. Copies of "The Unionmutual Guide to Flexible Benefits" are free and can be obtained by writing Unionmutual, Denise Moss, Flexible Benefits Division, 2211 Congress St., Portland, Maine, 04122; 207-780-2595.

• "Flexible Benefits—A How-to Guide" is a 163-page book from the International Foundation of Employee Benefit Plans. The book is authored by Richard E. Johnson, a principal in the Seattle office of consultant William M. Mercer-Meindinger Inc. The guide is written to assist plan sponsors with the successful development of a flexible benefits plan. Cost of the guide is \$15 for IFEBP members and \$25 for non-members. To receive a copy, write Publications Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

• "Product Liability Guide for Manufacturers" is a 20-page publication from the Hand Tools Institute. The guide is tailored to meet the needs of manufacturers
Continued on next page

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Meeting the needs of the insurance community takes more.

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Continued from previous page and their employees who are responsible for handling product liability inquiries from the initial claim notice through to the final settlement. Cost of the publication is \$3. Order from Hand Tools Institute, 25 N. Broadway, Tarrytown, N.Y. 10591.

• Audio cassettes, recorded at the International Foundation of Employee Benefit Plans' 31st Annual Conference are now available. Approximately 70 sessions were recorded at the conference, covering such topics as **fiduciary responsibility, pensions and retirement counseling.** The cassettes cost \$8 each. For order forms listing all available cassettes contact the Audiovisual Services Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

• The American Society of Safety Engineers has issued eight "Readings In..." collections. Each collection offers a compilation of articles, which originally appeared in ASSE's Professional Safety magazine. The eight publications are: **Readings In Product Liability and Civil Liability** (\$12 ASSE for members; \$15 for non-members), **Readings In Hazardous Control and Hazardous Materials** (\$20 for members; \$25 for non-members), **Readings In Behavioral Issues in Safety** (\$20 for members; \$25 for non-members), **Readings In Workers' Compensation-Loss Prevention/Loss Control** (\$20 for members; \$25 for non-members), **Readings In Noise Control and Hearing Conservation** (\$12 for members; \$15 for non-members), **Readings In Stress Management** (\$12 for members; \$15 for non-members), **Readings In Cost Benefit/Cost Control** (\$15 for members; \$20 for non-members), **Readings In Safety Management** (\$15 for members; \$20 for non-members). For a brochure providing additional information on the "Readings In..." publications contact Jim Kieley, Manager, Technical Publications, American Society of Safety Engineers, 1800 E. Oakton St., Des Plaines, Ill. 60018; 312-692-4121.

• Frank B. Hall Consulting Co. is offering a free brochure which highlights the major reasons for issuing **comprehensive employee benefits statements.** For a free copy, contact Frank B. Hall Consulting Co., Halltech Division, 549 Pleasantville Road, Briarcliff Manor, N.Y. 10510.

• "Health Care Costs and You" is a new, illustrated booklet that explains the **high cost of medical benefits** and gives employees a new appreciation for this expensive benefit. It is one of a series of booklets, including, "Stress Management," "Wellness," "Personal Problems," "Child Care," and "Substance Abuse." A free sample copy of the booklet is available from Business & Legal Reports, 64 Wall St., Madison, Conn. 06443; 800-553-4569.

• "Insurance Availability: A State-by-State Guide" is the title of a new guide available from the Public Risk & Insurance Management Assn. The guide lists states which have market assistance programs, insurance information hotlines and other items of interest to public agencies. The book is available for \$7 to PRIMA members; \$15 for non-members from PRIMA, 1120 G. St., N.W., Suite 400, Washington D.C. 20005.

• "Better Safe Than Sorry: Your Guide to Protecting Yourself from Accidents" has been published by Fax Communications Inc. The 16-page booklet is illustrated and contains **safety tips designed to motivate workers to prevent accidents on and off the job.** For a

sample copy, send \$1 to Fax Communications Inc., Department BI, 3279 20th St., San Francisco, Calif. 94110.

• The State of Washington Department of Labor and Industries now provides a **toll-free telephone number to help train employees about hazardous chemicals in the workplace.** The number is 800-4BE-SAFE (800-423-7233) and operates during daytime work hours.

• "A Practical Guide to Physician-sponsored HMO Development" is the title of a new 64-page handbook from the American Society of Internal Medicine, which provides step-by-step **direction to physicians who are contemplating the development of a physician-sponsored HMO.** The cost of the handbook is \$10 for ASIM members; \$15 for non-members (bulk orders of 10 or more are discounted \$2 and \$3, respectively) to

American Society of Internal Medicine, Literature Order Department NR, 1101 Vermont Ave., Suite 500 Washington, D.C. 20005.

• Synergy Health Systems has published a pamphlet describing **basic claims processing systems** and their applications to health maintenance organizations, insurance companies, third-party claims administrators and employer groups. A free pamphlet is available by contacting Synergy Health Systems, 16775 Addison Road, Suite 201, Dallas, Texas 75248; 214-248-6241.

• "Legislative Trends in Insurance Regulation" offers an analysis of major legislative and regulatory trends affecting the insurance industry as well as changes in the tax code and reforms in rate regulation. Cost of the book is \$16.95 from Texas A&M University, Drawer C., College Station, Texas 77843-4354.

• Business and Legal Reports has published a new booklet titled, **"Working with Hazardous Materials."** The illustrated booklet can be imprinted with company name and is helpful for right-to-know training. A free sample copy is available from Business & Legal Reports, 64 Wall St., Madison, Conn. 06443; 800-553-4569.

• "Crisis Management and Catastrophic Care: A Guide for Insurance Rehabilitation Specialists" has been published by the Medical Case Management division of Vocational Placement Services Inc. Information on severe injuries is included, along with procedures for maintenance of quality care through cost-effective case management. The 106-page manual costs \$25, plus \$3 for shipping and handling, from Vocational Placement Services Inc., Box K-131, Richmond, Va. 23288.

• The Public Risk & Insurance

Management Assn. has published jointly with the National League of Cities, **"Tort Liability Today: A Guide for State and Local Governments."** The guide offers a history of major areas of law that are the focus of recent debate, including: intentional torts, negligence, and strict liability. Cost of the book is \$15 for PRIMA and NLC members; \$25 for others. The guide is available from Public Risk & Insurance Management Assn., 1120 G. St., N.W., Suite 400, Washington D.C. 20005.

• *Have a new report, booklet or promotional brochure you'd like to send to buyers of insurance? Business Insurance will describe material costing less than \$25 as an editorial service in the Info for Buyers column. Simply send us a short description of the material to be offered, along with the cost and a mailing address. Address all contributions to Info for Buyers, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.*

"I'll train with FlightSafety as long as I'm flying."

John Duckworth, M.D.
President, Laboratory Mgt. Corp.
Memphis, Tennessee



"It's true in flying, medicine or business. The best way to concentrate and learn is to get away from the distractions of the working environment. I didn't know much about FlightSafety before I trained there, but before I finished my initial course, I decided I'd return for the refresher training six months later.

"Their commitment to professionalism was reassuring. FlightSafety works with you—one-on-one—whether you are a corporate pilot or an owner-pilot.

250 hours annually

"I fly a moderate amount, about 250 hours a year, in support of both my business and my profession. To get the most out of my airplane I have to operate it properly. And to be sure, I alternate between the Instrument/Multiengine Refresher and Pressurized Navajo courses.

"The I/ME course is intensive on multiengine instrument procedures. And

the specific emergency procedures and systems training in the Navajo course keeps me sharp in the airplane. I'm not one of those people who jumps from one airplane type to another. The pressurized Navajo was a big step up from the Aztec I flew for 15 years and FlightSafety made me comfortable with the airplane.

A matter of safety

"The simulator is a particularly important part of FlightSafety training. You can practice situations you would never try to set up in an actual airplane—especially one with high performance engines. It's both a matter of safety and of not abusing the airplane.

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Coverage shields hospitals from Medicare losses

Broker Rollins Burdick Hunter Co. is offering insurance coverage to protect hospitals from losses they may suffer because of the federal Medicare program's prospective payment system and similarly constructed private contracts.

The Hospital Expense Reimbursement Contract will pay a portion of the cost of procedures that exceeds the amount that will be reimbursed by Medicare and private plans.

The coverage is underwritten by Combined Insurance Co. of America, a unit of Combined International Corp. in Chicago, which is also RBH's parent company.

"The need for an insurance product like HERC arose when Medicare's new payment system went into effect," said Roger M. Simpson Jr., senior vp-product and service development at RBH.

If the care provided to a patient by a hospital costs less than the amount paid by Medicare for that particular diagnostic-related group, "the hospital keeps the profit," he explained.

"However, if the patient requires more time or care, the hospital takes the loss," Mr. Simpson said.

Arthur F. Quern, RBH's president and chief operating officer, said that HERC has several advantages.

"For one thing, HERC covers losses on a case-specific basis rather than on an aggregate basis. This feature allows hospitals to obtain more immediate relief when the cost of a case exceeds Medicare's reimbursement," Mr. Quern explained.

"Furthermore, HERC does not exclude any Medicare category. If Medicare covers a particular patient or illness, so will HERC," Mr. Quern said, noting that some similar policies often exclude some medical procedures.

In addition to Medicare, HERC also integrates with agreements between hospitals and Blue Cross/Blue Shield plans, preferred provider organizations and health maintenance organizations.

Policyholders can choose from several per-claim deductibles starting at \$25,000. Coinsurance amounts range from 50% to 90%.

HERC pays up to \$1 million per case, with an annual aggregate limit of \$5 million.

For more information, contact Michael Craig, vp and national director of hospital and health services accounts in RBH's Los Angeles office, at 800-626-2060. In California call 800-262-8989.

Financial guarantees

"Financial Guarantee Insurance," the latest addition to the Insurance Information Institute's monograph series, offers a comprehensive overview of the financial guarantee business.

The book reviews the history, specific products, underwriting concerns, issues affecting policyholders, investors and insurers, and also provides a view of the future of the financial guarantee market.

The demand for financial guarantees is reflected in the tremendous expansion of this market, according to the monograph. Just one of these new products—investor bonds—produced about \$200 million in premiums in 1984 alone.

In terms of market potential, more than \$1 trillion in commercial paper, corporate bond issues and bank loans outstanding could be covered by these products, the institute says.

To provide both scope and insight, each chapter of Financial Guarantee Insurance was written by a person with a different role in the business, providing the perspectives of a municipal bond in-

products & services

surer, a company providing corporate coverages, a reinsurer, an insurance broker, a major credit-rating organization and a regulator.

Also included are perspectives by Joseph P. DeAlessandro, president of National Union Fire Insurance Co. of Pittsburgh, Pa.

Appendixes include Standard & Poor's debt rating definitions; S&P insurance rating definitions; information on the growth of financial guarantee industry; and a rating methodology profile for financial guarantee insurers.

Copies of Financial Guarantee Insurance are available for \$20 each from the Insurance Information Institute, 110 William St., New

York, N.Y. 10038; 212-669-9200.

Flex plan guide

A new employee benefits handbook aimed at growing companies shows how to set up a flexible benefits plan "when your employees are complaining, your costs are rising and you're too busy to think about it."

Produced by Catalyst, a national not-for-profit organization that works with corporations and individuals to develop career and family options, the handbook provides information needed to evaluate, design and administer a flexible benefits plan.

According to Mary Allen, the Catalyst associate who developed it, the handbook offers thorough, specific and readable answers to the three basic questions every benefits manager asks before modifying an established policy or developing a new one, including:

- Will flexible benefits work for my company?
- How can I design a flexible benefits plan that does what I want and still stays within the law?
- How can I communicate a plan to my employees and administer it without spending too much time and money?

Funding for the project was made available through a grant from the Department of Health and Human Services under contract with the Foundation for Human Service Studies.

"Flexible Benefits: How to Set Up a Plan When Your Employees Are Complaining, Your Costs Are Rising and You're Too Busy to Think About It" is available for \$49.

For a copy of the flex plan handbook, contact Catalyst, 250 Park Ave. South, New York, N.Y. 10003; 212-777-8900.

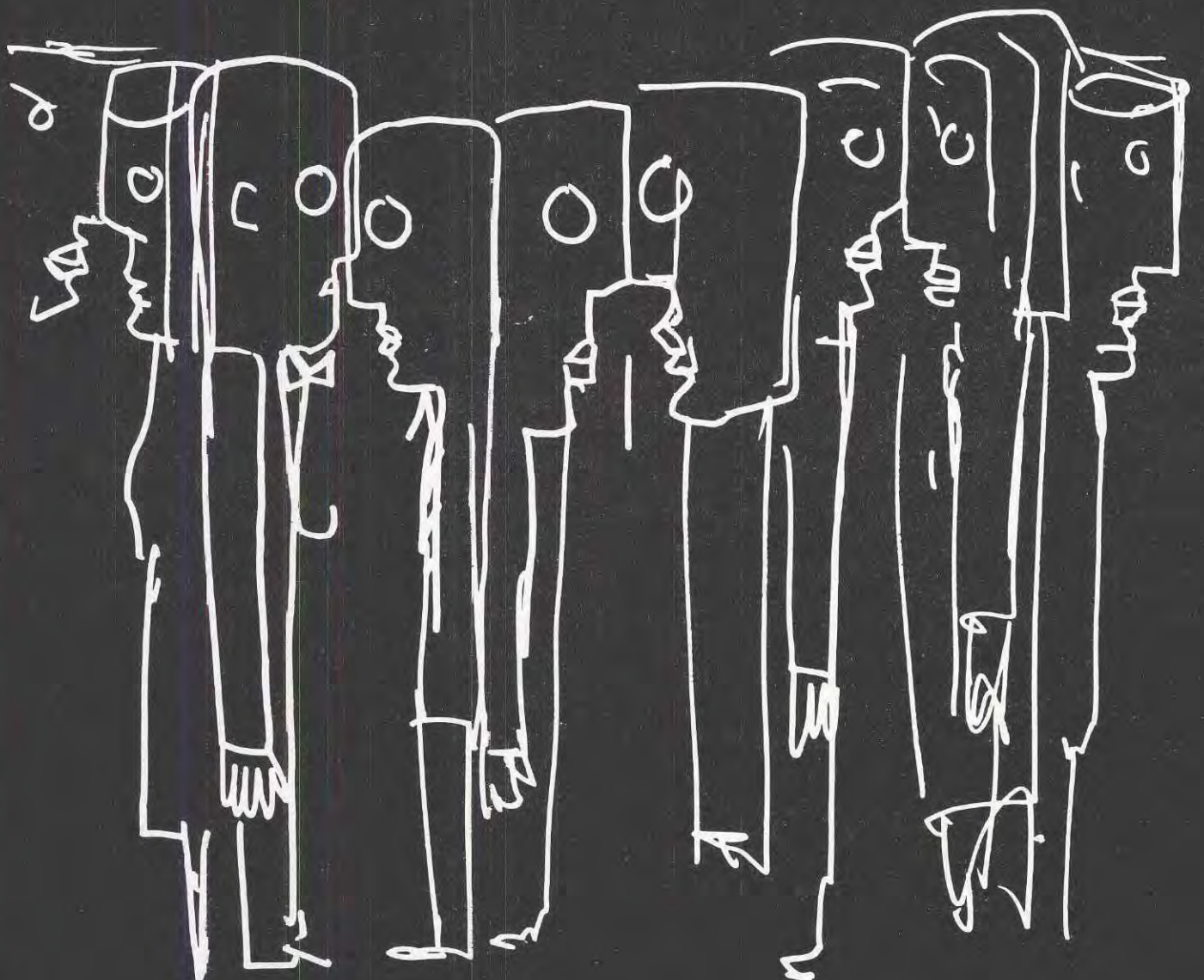
Claims software

Health Systems International has developed new hospital cost-containment software for large employers that self-fund and self-administer their employee benefit programs.

The Medical Claims Monitoring System evaluates inpatient hospital claims before payment is made, explained Ron Bernier, president and

Continued on next page

The Fac runaround.



Continued from previous page
chief executive officer of New Haven, Conn.-based HSI.

The software individually evaluates each hospital claim from a clinical perspective to determine if the information is consistent and if the amount billed is reasonable. Any claims determined clinically inconsistent or exceeding payment limits established by the software will be rejected.

HSI updates the software regularly to account for changes in medical costs and treatment, Mr. Bernier said. "We continually change a number of variables" at no extra cost.

The software can also be used by life/health insurers and third-party claims administrators.

The software is available for both personal computers and mainframe units, according to Mr. Bernier. The PC software costs approximately \$20,000, while mainframe software is about \$300,000, he said.

Compatible systems include the

IBM PC family, large IBM mainframe units in the 4300 and 308X series and the Digital Equipment Corp.'s VAX, Mr. Bernier said.

For more information, contact Health Systems International, 100 Broadway, New Haven, Conn. 06511; 203-562-2101.

Asbestos abatement

Morefar Marketing Inc., a subsidiary of American International Group Inc., is offering a comprehensive general liability coverage for qualified asbestos removal contractors.

The Asbestos Abatement Program—underwritten by National Union Fire Insurance Co. of Pittsburgh, Pa., another AIG subsidiary, on a claims-made form—covers the asbestos abatement contractor during the removal process, the company says.

An extended reporting form is available for one year, and broad-form commercial general liability

coverage also is available upon request, the spokesman said.

The minimum premium for limits of up to \$1 million is \$100,000, with a mandatory property damage deductible of \$1,000, he said.

Projects not eligible for coverage include encapsulation of asbestos, enclosure of asbestos and demolition projects where the asbestos is not removed prior to demolition, the spokesman said.

For more information, contact Morefar Marketing Inc., 100 Presidential Blvd., Bala Cynwyd, Pa. 19004-1247; 215-667-7584.

Pension software

Coopers & Lybrand has developed new software to help employers comply with the new Federal Accounting Standards Board Statement No. 87, "Employers' Accounting for Pensions."

PENCOST, developed by the company's Actuarial, Benefits and Compensation Consulting Group,

will help answer employers' questions arising out of the new FASB statement, including:

- Should the company change its funding method?
- What will be the result of a change?
- What effects will changes in the company's interest and salary assumptions have?
- What if the plan's investment or salary experience is different from what was assumed?

The software also provides information employers can use in deciding whether it would be beneficial to comply with the new standards in fiscal year 1985 or wait until later, said Harold Dankner, Coopers & Lybrand's national technical services director.

All companies must adopt the standards sometime between now and 1987 (BI, Jan. 6).

Using actuarial data supplied by the company, the software can provide five-year estimates of a plan's financial and accounting informa-

tion, the company says. The information is summarized in tables, graphs and footnote disclosures.

Because of the level of actuarial expertise required to use the new software, Coopers and Lybrand is offering it to companies only as a service. Fees depend on the complexity of the task and the number of alternative scenarios requested, according to John Grady, actuarial benefits and compensation partner.

For more information, contact Coopers & Lybrand, 1251 Ave. of the Americas, New York, N.Y. 10020; 212-536-3253.

Regulation updates

Kluwer Publishing Ltd. is offering a new looseleaf service that updates insurance regulations throughout the world.

Initially covering 100 countries, the publication later will be expanded to include 200 countries by the end of 1987.

Insuring Foreign Risk: a Guide to Regulations Worldwide, is edited by G.N. Crockford, information services manager for broker C.T. Bowring & Co. Ltd.

Cost of the basic work is 40 pounds (approximately \$56), plus 7.5 pounds (approximately \$10.50) for semiannual updates.

For more information, contact Michael Brookes, Kluwer Publishing Ltd., 1 Harlequin Ave., Brentford, Middlesex, England TW8 9EW; telephone: 01-568-6441.

Cost management

The topic of health care cost management is tackled in a new book, which is part of the "ready reference" series published by the Illinois State Chamber of Commerce.

"Health Care Cost Management—Solutions For Employers" offers specifics in the areas of plan design, plan administration, employee communication and education, health promotion and wellness, and utilization and data management.

"We believe that a thorough reading will point out distinct advantages which can be realized through careful implementation of the ideas presented," author Laurence J. Hicks says in the book's preface.

"If the employer does no more than question the current insurance provider using ideas gleaned in this book, definite benefits will be realized," he said.

Mr. Hicks is president of Hicks & Hicks Inc. in Kenilworth, Ill., a consulting firm specializing in health care cost management and human resources. The topical outline of the book was based on a 1985 conference series sponsored by the Center for Business Management, a subsidiary of the Illinois State Chamber of Commerce.

"We have attempted to reach a broad audience encompassing employers of all sizes. Small employers are addressed throughout the book. The small employer will be facing all of the issues discussed in this book within the next two years," Mr. Hicks said.

"Insurers will be offering products which will present HMOs, PPOs and traditional insurance plans as a single product. Knowledge gained from reading this book will provide a basis for evaluating these unfamiliar choices," he added.

The book is available for \$29.95 for ISCC members and \$44.95 for non-members. There is a \$1.50 shipping and handling charge and 8% sales tax in Illinois.

Information and orders may be directed to the Center for Business Management, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-7373.

New CGL forms

The second edition of a training manual describing how new rules,
Continued on next page

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update

REPORT ON EBC WINNERS: Distribution at BI Conference

Issue Date: August 4
Ad Closing: July 23

Profiles of the award winning benefit communication programs from the Business Insurance 14th Annual EBC Competition.

products & services

Continued from previous page
classifications and rating systems apply to the Insurance Services Office's commercial general liability policies has been published by the Premium Audit Advisory Service, a division of American Insurance Services Group Inc.

The newly revised manual details changes in ISO's occurrence and claims-made CGL forms, as well as classification methodology and premium bases.

For instance, rather than one set of classification assignment rules, there are now specific sets of rules that relate to five major business groups.

The reference and training manual is designed for use by risk managers, underwriters and agents and brokers. It includes case studies to illustrate the application of the new rules and concepts. In addition,

the manual contains a series of self-checking examinations.

The cost of the manual is \$70.

To order, write Premium Audit Advisory Service, 85 John St., New York, N.Y. 10038/212-669-0511.

'Right-to-know' laws

National Loss Control Service Corp., a Kemper Group affiliate, has developed a loss-control training package called TEACH (Telling Employees About Chemical Hazards).

The program is designed to explain to employees the facts about chemical hazards in the workplace. It is based on the requirements of the Occupational Safety and Health Administration's hazard communication standard (BI, Sept. 30, 1985).

The TEACH program consists of four modules:

- "You and Chemical Hazards."
- "Material Safety Data Sheets."
- "Chemical Labeling, Storage and Handling."
- "The Chemicals You Use."

The first three modules each contain a slide-cassette program or a videotape. They also contain a training manual to help the instructor conduct the training program.

The fourth module is an instructor's guide that explains how to give a short, but effective, presentation on specific chemicals used by a group of employees.

According to NATLSCO, the TEACH program minimizes training time, maximizes effectiveness and requires minimum instructor qualification.

The program is available in both English and Spanish.

The entire program can be purchased for \$650.

For more information, contact TEACH Coordinator, NATLSCO, K-3, Long Grove, Ill., 60049-0075; 800-323-9585.

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Defense costs increasing: ISO

NEW YORK—Property/casualty insurers were underreserved by \$6.1 billion in 1984 for general liability losses and \$2.5 billion for loss adjustment expenses, the Insurance Services Office reports.

The figures, which are the latest available to the insurer trade group, also show that of the \$2.5 billion shortfall for loss adjustment expenses, \$1.1 billion is related to legal defense costs.

Legal defense costs more than doubled from 1979 to 1984, rising to \$2.7 billion from \$1.1 billion, the ISO said.

The Insurance Services Office released the figures in a study aimed at strengthening its argument that general liability insurance policies should contain a limit on legal defense costs.

While civil justice reform "is one long-term way to bring legal costs down, a more immediate and direct solution would be to change the defense cost provision of the commercial general liability policy form itself," said Daniel J. McNamara, ISO president.

The Kansas City, Mo.-based National Assn. of Insurance Commissioners is studying the issue, but several insurance commissioners have said they will resist any attempt by ISO to implement such a change (BI, June 23).

Assn. of Lloyd's Members conference

Lloyd's profit to top \$208 million, group says

By STACY SHAPIRO

LONDON—Lloyd's of London will report global 1983 profits of 139 million pounds (\$208.5 million), excluding the losses from syndicates formerly managed by PCW Underwriting Agencies Ltd., the Assn. of Lloyd's Members predicts.

Last year, ALM predicted that Lloyd's profits for 1982 would be 80 million pounds, a 47% drop from 151.9 million pounds in 1981, including PCW losses. Its estimate was gathered by Financial Intelligence & Research, a London financial analyst.

However, Lloyd's actually reported profits of 57 million pounds (\$92.3 million), including the PCW losses (BI, Sept. 2, 1985; Sept. 9, 1985).

The ALM's estimate for Lloyd's 1983 global profits varies from that of Chatset Ltd., another group of Lloyd's members. Chatset recently estimated that Lloyd's profits will be about 170 million pounds (\$255 million), 31 million pounds more than the ALM estimate (BI, July 7).

The ALM depends on Lloyd's public registry for its results and bases its estimate on reports from 359 of the 401 Lloyd's syndicates, or 90% of the market.

Under Lloyd's three-year accounting system, Lloyd's global profits for 1983 will be reported this September.

Lloyd's marine market more than doubled its profits in 1983, producing most of Lloyd's global profits, according to the ALM.

The ALM believes that 132 Lloyd's marine syndicates will show profits of 170 million pounds (\$255 million), up from 75 million pounds (\$112.5 million) in 1982 for those same syndicates.

Up until now, Lloyd's marine market has accounted for more than 50% of Lloyd's stamp capacity, ALM members were told at the 1986 National ALM Conference July 9 in London.

However, in 1987, Lloyd's marine underwriters most likely will not increase their stamp capacity because fewer clients need marine insurance, noted Derek Wills, Lloyd's underwriter for syndicates managed by Barder & Marsh.

The current recession in the shipping industry is "the most difficult in living memory," Mr. Willis said, adding that the oil industry is also in a deep slump.

Lloyd's, however, "is writing a larger share of a smaller cake," Mr. Willis said. Lloyd's marine underwriters hope that the drop in oil prices will increase world trade, he pointed out.

In addition, Lloyd's marine underwriters are increasing their liability business, but only on a claims-made basis, he said.

"This continues to be a class which is treated with caution," he added.

Lloyd's global profits for 1983 will be reduced by a further total loss in the non-marine market, according to the ALM. The ALM predicts that 138 Lloyd's non-marine syndicates, excluding PCW syndicates, will show a total loss of 60 million pounds (\$90 million), up from a loss of 22 million pounds (\$33 million) in 1982.

"1983 is an appalling result for the non-marine market," agrees Robin A. Jackson, Lloyd's underwriter for non-marine syndicate 799 managed by Merrett Syndicates Ltd.

"To be polite, what underwriters did was rank stupidity, irresponsibility and complete lack of knowing what they were doing," he told ALM members.

Mr. Jackson hopes that Lloyd's

members realized that 1983 was going to be a bad year for its non-marine market because "it was no surprise to non-marine underwriters."

Mr. Jackson believes that Lloyd's 1984 results will improve from 1983 because "it seems a long time ago, but by mid-1984 rates started to move," he said. However, 1985 will show greatly improved results for Lloyd's non-marine market because rates increased solidly by then, he said.

By 1985, Lloyd's non-marine market should be back to the stellar results it posted in the 1970s, he said.

Mr. Jackson will not predict what the results will be for 1986 because natural disasters—like hurri-

canes or earthquakes—could still dash underwriters' hopes, Mr. Jackson said.

But, he noted that non-marine underwriters are now "smiling and confident. We are starting to see sanity all around... I have never seen such an unprecedented move."

Mr. Jackson also noted that U.S. liability coverage is looking more attractive to many Lloyd's underwriters because:

- Rates have increased up to 500% over the past several years.

One U.S. pharmaceutical company executive reported he can buy \$25 million in liability coverage today for the premium he paid for \$200 million in coverage three years ago, Mr. Jackson told Lloyd's

members. The pharmaceutical company also now has a larger retention, Mr. Jackson said.

- Policy wordings have changed. Lloyd's underwriters are now using a claims-made form for U.S. excess liability business (BI, July 14).

- The U.S. civil justice system—"if there is such a thing for insurers in the U.S."—is beginning to be reformed.

Lloyd's non-marine market welcomes tort reform initiatives, Mr. Jackson said. However, he added that if tort reform is connected to rate restrictions, "it is not worth having."

Lloyd's underwriters are not affected by the parts of the tort reform legislation recently passed in

Florida that freeze rates, force liability insurance premium refunds this year and authorize that 1987 rates be rolled back to 1984 levels, Mr. Jackson said (BI, June 16).

Lloyd's operates as a surplus lines underwriter in Florida, and the legislation does not include surplus lines insurers, he noted.

However, he said that tort reform is not acceptable if there is a requirement for premium reduction. "An instantaneous reduction in premium is unacceptable," he said.

Mr. Jackson believes that rates will not increase as much in 1987 as they have in 1985 and 1986 because readjustments already have been made. But, "I see a very tight mar-

Continued on next page

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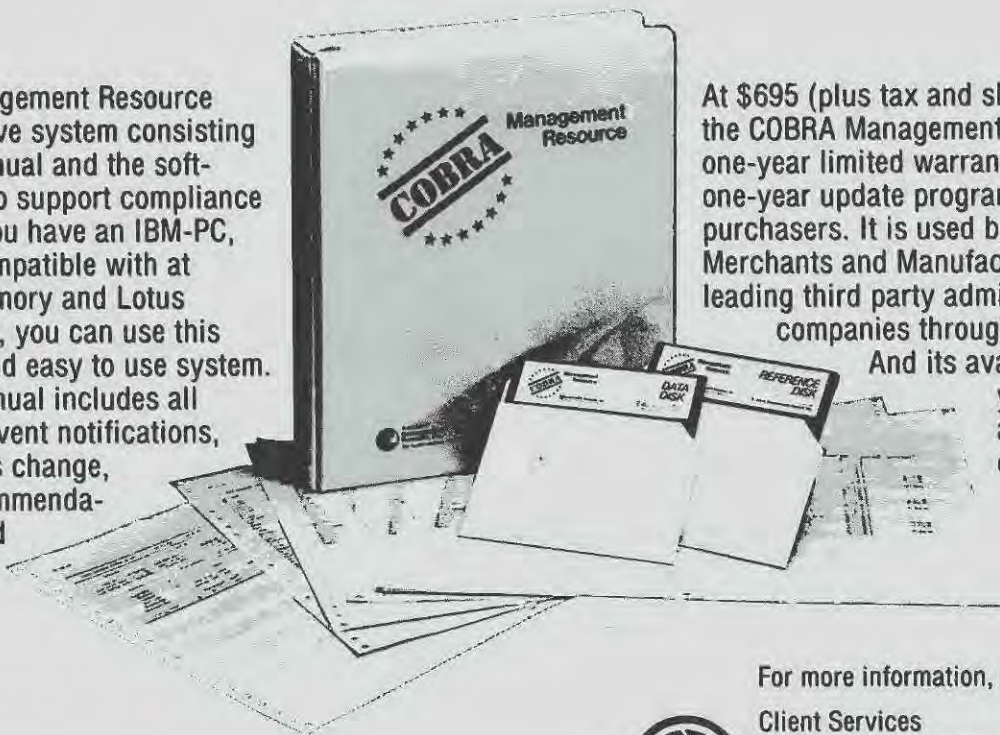
WASHINGTON (April 7, 1986) — Congress today passed the Consolidated Omnibus Budget Reconciliation Act which becomes effective on employers' health plan anniversary dates following the 1st of July.

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Lloyd's estimated profits

Continued from previous page
ket in the casualty area," he said.

Mr. Jackson urged Lloyd's members to join non-marine syndicates to increase the capacity the market offers.

A 10% increase in capacity will not be adequate to fill all the orders coming into Lloyd's, he said, noting he would like to see non-marine capacity at Lloyd's grow 25% to 40% to take advantage of the tight casualty insurance market.

"None of us have to worry about where the premium will come from," he said. "If anything, there is too much premium around. . . . Let us not concern ourselves with 1983 or 1984, but with 1987, 1988 and 1989 if we want to get Lloyd's back to where it should be.

"There is a shortage of capacity in the U.S. insurance and reinsurance industry. If there is going to be a shortage in capacity, why don't we take advantage of that?"

Also, Lloyd's 44 aviation syndicates will show profits of 18 million pounds (\$27 million) in 1983, down from 23 million pounds (\$39 million) in 1982, the ALM notes.

In 1983, 28 Western-built aircraft were destroyed and more than 1,100 fatalities were reported, said Lloyd's aviation underwriter Eugene Ryan of underwriting agency Gooda Walker Ltd.

In 1984, there was a concerted effort to increase hull

and liability insurance premium rates by as much as five to 10 times what they were in light of the bad results in 1983, he added.

"I am pleased to say that this momentum (to increase rates) is still here today," he said.

Mr. Ryan expects that the 1984 underwriting year will close in 1987 with better underwriting profits than in 1983 because there were far fewer losses during 1984. However, Mr. Ryan pointed out that 1985 was the worst year on record for the aviation market.

Hull and liability claims in 1985 totaled at least \$660 million and, when satellite and other aviation-related losses are included, underwriters eventually will pay out more than \$1 billion for 1985 claims (BI, June 23).

The aviation market is now in a healthy position, noted Mr. Ryan. There are relatively few losses so far in 1986, he said.

Rates have increased an average of 10% for hull coverage and 30% to 50% for liability coverage so far this year, he added. Worldwide aviation insurance premiums total about \$2 billion, "a big increase over the years," he said.

War risk rates have increased substantially, too, he said (BI, June 23).

But, Mr. Ryan said he doubts that there is a market left for satellite launch insurance following huge satellite losses in the last two years and the shutdown of the space shuttle and European Ariane launch programs. ■

Discipline problems may be behind Lloyd's, Lord says

By STACY SHAPIRO

LONDON—No new disciplinary proceedings are emerging at Lloyd's of London, Lloyd's Deputy Chairman and Chief Executive Alan Lord says.

Although 22 disciplinary cases have been tried since the Lloyd's Act of 1982 was passed, all of them were related to events that occurred before the law was enacted, Mr. Lord told the Assn. of Lloyd's Members' 1986 national conference, held July 9 in London.

Those 22 disciplinary cases involved 59 defendants, of which eight were expelled, two were suspended and 18 were censured or reprimanded.

Lloyd's has had bad publicity and "rightfully so," admitted Mr.

'Lloyd's has absorbed quite a bit of change in a very short time,' Mr. Lord says.

Lord, who has been chief executive for just four months (BI, Feb. 24).

However, "Lloyd's has absorbed quite a bit of change in a very short time," he said. "You should give the society considerable credit for the enormous change there has been in the last three years."

Lloyd's has set up rules to prevent wrongdoing in the market, in particular bylaws on the disclosure of underwriting interests, syndicate accounting and syndicate audit arrangements, he said. In addition, Lloyd's Council "is taking a greater interest in monitoring premium income" of syndicates to make sure they are not overwriting their premium limits, he said.

So far, five syndicates have stopped underwriting this year because they were afraid of overwriting their premium limits, Mr. Lord said.

Lloyd's has not been able to arrange a new code of conduct for Lloyd's brokers, primarily because Lloyd's is now preoccupied with the British government's inquiry into its operations, Mr. Lord said.

The inquiry, under a committee chaired by Sir Patrick Neill, will determine whether Lloyd's self-regulation adequately protects Lloyd's members, Mr. Lord noted (BI, Jan. 20).

The Neill committee is expected to release its report later this year.

"I trust that we will receive the Good Housekeeping Seal of Approval," Mr. Lord said.

Mr. Lord realized that Lloyd's members are particularly concerned about how members of syndicates formerly managed by PCW Underwriting Agencies Ltd. are going to meet Lloyd's July 25 solvency test.

Lloyd's Chairman Peter Miller has said that Lloyd's will make some kind of financial arrangement so that the PCW members can pass their solvency test and continue negotiating with Lloyd's and 37 other defendants on how to pay PCW losses.

The members face up to 200 million pounds in losses and are claiming that negligence and mismanagement caused them.

Meanwhile, the Lloyd's market continues to grow, Mr. Lord said. In 1986, Lloyd's had 29,000 members generating 8.6 billion pounds (\$12.9 billion) of premium capacity. Last year, Lloyd's had only 26,050 members that generated 6.7 billion pounds of premium capacity.

While Lloyd's growth will slow in 1987, Mr. Lord said, "The situation of this country would be significantly better if other businesses grew as well as Lloyd's."

"We are one of the brightest stars. . . in this country."

Mr. Lord admits that there has been criticism in the Lloyd's market that he will not be as independent in his thinking as his predecessor, Ian Davison, because he was chosen by the Council of Lloyd's. Mr. Davison was selected as Lloyd's first chief executive by the governor of the Bank of England.

"I am not going to tell you how independent I am," he said. "However, I will do everything I can to serve the society and its members and I do not expect confrontation within the Lloyd's office. So far, none of my advice has been rejected. . . . I assume I will get my own way." ■

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Lloyd's member proposes 'fraud fund'

By STACY SHAPIRO

LONDON—Lloyd's of London should set up a "fraud fund" to compensate members who suffer losses from fraudulent or grossly negligent underwriting, says one Lloyd's member.

Failing that, the Corp. of Lloyd's should at least provide independent advice for members in trouble—a communication line with other members in the same situation—and appoint a members' committee to solve the problem, said Mark Farrer, the Lloyd's member.

"Every time there is a crash of bones in Lime Street, there is more ammunition given to the competition overseas to use against us," he said. "We really have to do better."

Mr. Farrer is chairman of the Lloyd's names' committee that is currently trying to settle a financial dispute with Lloyd's managing agents Brooks & Dooley (Underwriting) Ltd. (see story, page 62)

In 1984, Lloyd's disciplinary committee charged that Lloyd's underwriters Raymond Brooks and Terence Dooley benefited from reinsuring their syndicate with Fidentia Marine Insurance Co. of Bermuda. Lloyd's expelled Mr. Brooks from the marketplace, while Mr. Dooley was temporarily suspended (BI, July 16, 1984; Dec. 17, 1984; March 18, 1985).

Brooks & Dooley members have until July 25 to accept an agreement that will return to them about 2 million pounds (\$3 million) from Fidentia and other companies controlled by Mr. Brooks.

In trying to reach this settlement, Mr. Farrer said that he came across some problems.

First of all, litigation is expensive, he said. "You cannot sue because it will cost you at least 300,000 pounds (\$450,000)."

Another problem is communicating with all the syndicate members. Normally, Lloyd's members should communicate through their members' agencies, but "only five of the members' agencies gave us support from the word go," while the other 38 members' agencies involved "had reservations," he said.

Ian Davison, Lloyd's former chief executive, helped the committee by allowing Lloyd's to distribute material on the case to the Brooks & Dooley names.

However, Lloyd's first wanted an agreement with the members that it would be held harmless for any trouble that might be caused by the contents of the information, said Mr. Farrer. In addition, Lloyd's charged the members 950 pounds (\$1,560) for postage, he said.

Working on claims settlements with troubled syndicates is plagued with problems, agreed Jeremy Hardie, chairman of Alexander Syndicate Management Ltd. and a director of Additional Underwriting Agencies No. 3 Ltd.

Alexander Syndicate Management ran off syndicates once underwritten by Ian Posgate for Alexander Howden Underwriting Ltd.

"I accepted this in 1982 because I did not know what I was doing," he told ALM members.

Last year, he became a director of AUA3, which is dealing with the troubled syndicates formerly managed by PCW Underwriting Agencies Ltd. AUA3 is trying to reach a settlement that will relieve PCW members from paying an estimated 200 million pounds in losses. Mr. Hardie would not comment on those negotiations.

He did say, however, that since joining AUA3, "I have achieved a higher amount of bewilderment"

"There are too many people of low caliber in the agencies and the second floor of Lloyd's," said Mr. Hardie, referring to the staff of the Corp. of Lloyd's.

He believes that greater professionalism among members agents and Lloyd's corporation staff should be encouraged.

"Lloyd's civil service should be manned with people who can handle these affairs," he said.

Also, "to put it kindly, there have been and still remain working members at Lloyd's who do not understand conflicts of interest or the law of agency," he said.

The law of agency goes back to 16th-century Elizabethan law, but underwriters were breaking it

even when they claimed what they were doing prior to 1982 was "market practice," he said.

"These cases are extremely complicated," said Mr. Hardie. "Often you cannot find what on earth they were up to... Also, you find that there are at least four conflicting views about market practice. That can be ratified by more professional attitudes."

Mr. Hardie believes that Lloyd's members also must bear some of the blame for troubles at Lloyd's.

"It is true that some names are

extremely poorly advised by their Lloyd's members' agency. That is the fault of the agents, but it also is the fault of the names who chose the advisers."

Mr. Hardie urges Lloyd's members to spend time and money to obtain more information about their Lloyd's members' agents. He also suggested that members obtain advice from lawyers and accountants before joining Lloyd's.

Mr. Hardie hastens to add that despite all the problems in Lloyd's, he became a Lloyd's member for

the first time in 1986.

But Mr. Hardie said he is opposed to a "fraud fund" to pay for losses of incompetent underwriters.

Instead, Lloyd's members should subscribe to a "legal-aid system" for members to draw from if necessary, he says.

"Money is a major obstacle" in these cases, he said. "A legal-aid system on which we can all subscribe and which we all can draw from would be a more effective way for names to exercise their rights than is now available."

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Brooks makes offer to help recover funds

By STACY SHAPIRO

LONDON—Expelled Lloyd's of London underwriter Raymond Brooks wants to make a deal with Lloyd's members that would release him from any liability arising out of alleged misappropriation of syndicate funds.

Members of syndicates managed by Brooks & Dooley (Underwriting) Ltd. have until July 25 to decide whether to accept Mr. Brooks' offer to help return more than 2 million pounds (\$3 million) in syndicate funds.

In 1984, Lloyd's charged Mr. Brooks, along with Lloyd's underwriter Terence Dooley, of benefiting from reinsurance placed for Brooks & Dooley syndicates with Fidentia Marine Insurance Co. of Bermuda. Lloyd's expelled Mr. Brooks, while Mr. Dooley was temporarily suspended (*BI*, July 16, 1984; Dec. 18, 1985).

Since then, about 400 Lloyd's members belonging to the Brooks & Dooley syndicate have tried to reclaim money they believe they are owed (*BI*, March 18, 1985).

Last month, Mr. Brooks and his associates negotiated a provisional settlement with the Brooks & Dooley names committee headed by Mark Farrer, according to a letter signed by Mr. Farrer and Jack Alston, chairman of Brooks & Dooley.

According to the letter, Mr. Brooks, his associates and the names committee have agreed that:

- Mr. Brooks and his associates will transfer to a trust fund for the benefit of names the entire assets of several companies named in the Lloyd's report, including Coral Insurance Co. Ltd., Brookgate Investments Ltd. (excluding Brooks & Dooley (Underwriting) Ltd.), and its subsidiary Creegate Underwriting Agencies Ltd.).

This is "conservatively estimated to realize 2 million pounds" (\$3.5 million), the letter said. In the past, Lloyd's members had complained that 2 million pounds is smaller than the 6.2 million pounds of profit Fidentia allegedly made.

However, "it is the opinion of solicitors for names... that this sum adequately reflects the commercial reality of the position," the letter said.

- Mr. Brooks will run off the business written by Fidentia and be paid \$50,000 for one year and a proportion of Fidentia's surplus in excess of \$800,000.

- Mr. Brooks will assist in the recovery of other sums from prospective defendants.

- Another managing agent, Octavian Underwriting Ltd.—once called Dugdale Underwriting Ltd.—will pay members 90,000 pounds (\$135,000).

The agreement is on the condition that at least 90% of the names—or less as agreed by Mr. Brooks—agree by July 25 to release "from any liability arising out of the Fidentia affair," Mr. Brooks, Mr. Dooley and their associates and Brooks and Dooley Underwriting, the letter states. Octavian also is asking for a similar release, it said.

Mr. Alston and Mr. Farrer were unavailable for comment. Mr. Brooks could not be reached.

However, at least one Lloyd's member has no intention of settling with Mr. Brooks and his associate.

At the Assn. of Lloyd's Members annual conference July 9, one member who did not name himself told Mr. Farrer that he intends to continue litigation against Mr. Brooks and others.

"We heard that we had 6 million pounds misappropriated from us and that is now whittled down to 2 million pounds," the member said. "I do not see justice done. I do not

london

want any money. I would rather see justice done so that we can all sleep secure."

The member also found it appalling that Mr. Brooks was being paid to run off Fidentia "to clean up this mess."

In response, Mr. Farrer said he did not think litigation was in the names' best interest. He also said Mr. Brooks was being paid the same as anyone else who would have been hired to do the job.

Hogg acquisitions

Lloyd's of London broker Hogg Robinson Group P.L.C. is on the acquisition trail again, this time to buy real estate agents in the United Kingdom, Hogg Robinson recently told shareholders.

"Negotiations are currently in progress" to acquire British real estate agents, the world's eighth-largest broker said.

Already, Hogg Robinson Financial Services oversees more than 200 Hogg Robinson travel agencies in Britain.

Hogg Robinson reported to shareholders July 8 that its 1985-86 pretax profits for the year ending March 31 grew 22.5% to 17.4 million pounds (\$25.7 million at March 31 exchange rates) from 14.2 million pounds (\$17.6 million) in 1984-85.

The results were reduced by a 1 million-pound (\$1.48 million) exceptional item for "irrecoverable items relating to brokerage activities a number of years ago which do not relate to current operations" and 1.1 million pounds (\$1.63 million) for adverse changes in exchange rates, said Hogg Robinson.

Syndicate sale

Lloyd's of London underwriter Michael Baxter has been ousted from Syndicate 488, confirm sources close to the syndicate's managing agent, Posgate & Denby (Agencies) Ltd.

Mr. Baxter was set to acquire the management of marine Syndicate 488 for 450,734 pounds (\$676,101) through Baxter & Hall Ltd., a new company formed by Mr. Baxter and others who underwrite for the syndicate.

This purchase, along with the sale of other Posgate & Denby syndicates, was disputed by former Lloyd's underwriter Ian Posgate in the High Court, but Mr. Posgate failed to block the sale.

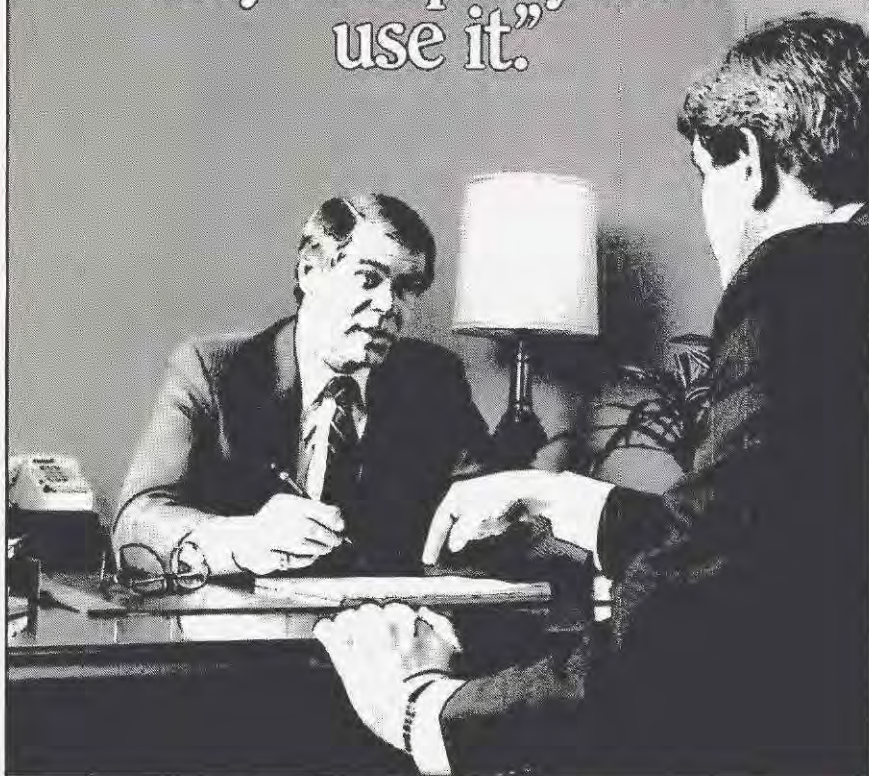
However, sources close to Posgate & Denby confirm that the underwriting agency decided to sell the syndicate to a new group known as Sharman & Loveday with John Sharman as underwriter. Mr. Baxter was reportedly asked to leave by the end of July.

Mr. Baxter could not be reached for comment. No one in Posgate & Denby was authorized to comment. A spokesman for Mark Loveday Underwriting Agencies Ltd. would not comment.

Comings and goings

Ben Lyon, chairman for 10 years of Lloyd's reinsurance broker Jardine Thompson Graham Ltd., a unit of Jardine Insurance Brokers Group, has retired, but will remain non-executive director of the company as well as chairman and chief executive of Lloyd's member agency Jardine (Lloyd's Underwriting Agents) Ltd. **David Corben** will replace Mr. Lyon as chairman of Jardine Thompson Graham and continue to be the company's chief executive.

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Kennecott now requires deductibles, copayments

benefit beat

A new four-year contract requires hourly employees of Salt Lake City-based Kennecott Corp. to begin paying deductibles and copayments under the company's medical plan.

Currently, workers who are members of 13 separate unions are covered under a first-dollar medical plan underwritten by Metropolitan Life Insurance Co. of New York, according to a spokesman for Kennecott, a copper-producing division of Cleveland-based Standard Oil Co.

But, beginning Jan. 1, 1987, employees will pay a \$350 deductible for individual coverage and a \$700 deductible for family coverage.

Employees will also pay a copayment of 20% on the first \$10,000 of eligible expenses, for a maximum out-of-pocket expense of \$2,350 for individual coverage and \$2,700 for family coverage, he said.

However, employees will not contribute to the premium under the plan for individual and family coverage. The plan will continue to be insured by Metropolitan, he added.

The contract also calls for the elimination of both a vision plan and a prescription drug program effective Jan. 1.

Employees do not contribute premiums, deductibles or copayments under these plans, which are also underwritten by Metropolitan, said the spokesman.

In addition, the annual deductible under the company's dental plan will increase to \$100 per person from \$50 per person, he said. That increase will also take effect on Jan. 1.

Employees do not contribute to the premium under the dental plan, he said.

However, employees do pay copayments on certain restorative services. These copayments, as well as yearly limits on coverage under the plan vary according to an employee's years of service with the company and salary, he said.

The Kennecott dental plan does not cover orthodontic services.

Metropolitan will continue to write the company's dental plan, the spokesman added.

Although the new contract changed health benefits, the company's defined benefit pension plan for hourly employees remains the same, the spokesman said.

The contract was ratified by a vote of 1,809 to 592 and is effective from July 9 to July 1990.

The contract covers about 1,500 active employees as well as about 2,000 employees who are temporarily laid-off, he said. Those employees will be recalled in the next six to 12 months, he added.

The contract affects employees in Utah, Arizona, New Mexico, Nevada and Maryland.

Plan termination

Dayco Corp. of Dayton, Ohio, has terminated a defined benefit pension plan covering about 3,600 salaried employees.

The company has replaced the plan with a profit-sharing plan.

"We terminated the plan on May 31, 1986, and instituted the new plan effective June 1," said Richard Zimmerman, vp of employee benefits for the industrial machinery manufacturer.

The plan was terminated for a number of reasons, Mr. Zimmerman said.

First, "we thought it was a marginally good retirement plan, but we wanted to give employees a better pension program," he said.

The plan was also terminated because of overfunding, he said. However, the company will not

know the amount of overfunding for several months, he added. "We won't know the amount until the end of our fiscal year in October. The amount will then be reported as earnings," Mr. Zimmerman explained.

But, the company will receive a reversion of \$1 million to \$2 million as a result of benefit contributions that have already been made to the plan for periods after the termination date, he said.

"These funds will be reported as an aftertax gain in our third quarter on July 31," he explained.

Continued on next page

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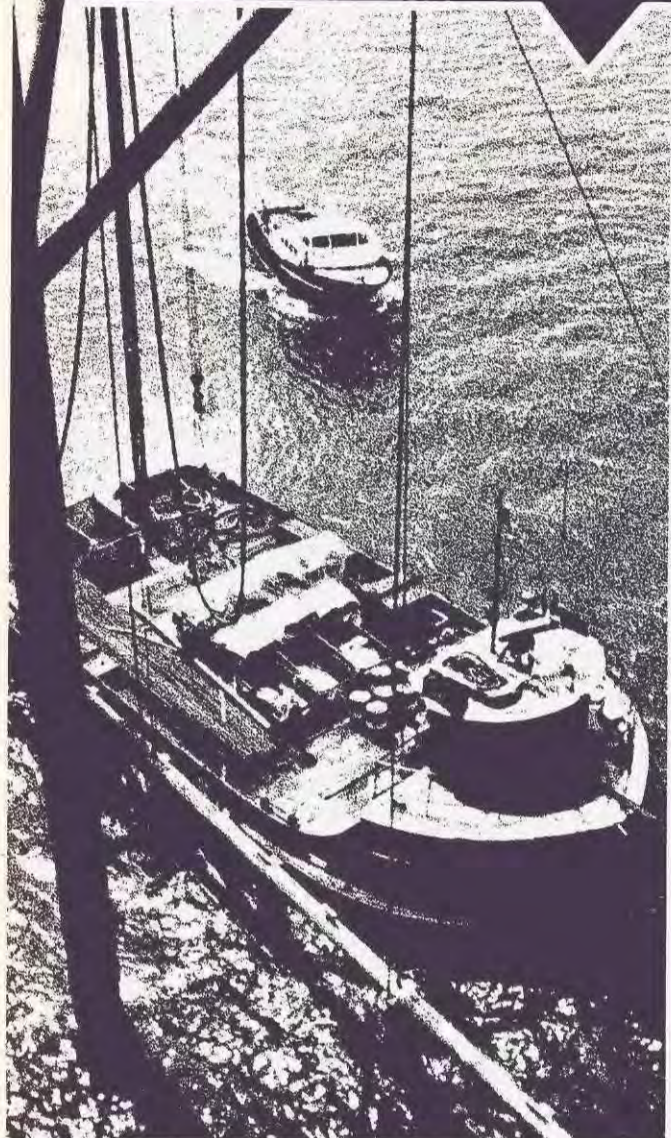
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"Lloyd's, London, Correspondents"

Continued from previous page

Mr. Zimmerman could not estimate the average monthly benefit paid to retirees under the defined benefit plan, or the number of retirees currently receiving benefits. Benefits were determined based on the employee's age and years of service. The company's normal retirement age is 65.

Under this company's profit-sharing plan, the company will contribute a percentage of company profits to the plan each year based on each employee's salary, Mr. Zimmerman said.

Allis-Chalmers dispute

An agreement in principal has been completed between Milwaukee-based Allis-Chalmers Corp. and the Pension Benefit Guaranty Corp., settling a \$173 million pension termination claim.

The claim resulted from the company's termination of 11 defined benefit pension plans in 1985, said a spokeswoman for Allis-Chalmers.

The plans have unfunded liabilities of about \$180 million.

One plan covered about 8,600 United Auto Workers members and 10 smaller plans covered about 600 retirees, she said.

Under the agreement, Allis-Chalmers will pay the PBGC a combination of stock and securities valued at about \$40 million.

Specifically, Allis-Chalmers will pay the PBGC \$21.2 million in the form of a 10-year promissory note at 9% interest. The PBGC will also receive 1.1 million shares of Allis-Chalmers Cumulative Convertible Preferred Stock, Series D. The stock is convertible to 3 million shares of common stock, she said.

In addition, the PBGC will receive warrants to buy 1.5 million

shares of Allis-Chalmers common stock at a guaranteed price of \$7.50 each (BI, May 19).

GM profit-sharing

A total of \$180.7 million in profit-sharing has been distributed to 550,000 General Motors Corp. employees for 1985, a spokeswoman for the Detroit-based automobile manufacturer said. Payouts to salaried and hourly workers averaged \$330 each, with amounts calculated based on the hours worked in the previous year, she said.

Employees chose whether to receive the amount in cash, to invest it in various GM-sponsored tax-deferred savings plans or to apply it toward the purchase of a GM car or truck, she added.

No Goodyear change

The Goodyear Tire & Rubber Co. dropped its earlier plans to terminate a defined benefit pension plan covering about 40,000 salaried employees and retirees.

In February, Goodyear announced that it could recapture between \$350 million to \$400 million by terminating the overfunded plan, a spokesman for the Akron, Ohio-based manufacturer said. But, the company changed its plans because of proposals in the House and Senate tax bills that would place a 10% excise tax on pension plan reversions, he added.

Benefit beat keeps insurance and employee benefit managers informed on what other companies are doing in the employee benefit field. We'd like to know if you've made any changes. Write Donna DiBlase, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; 312-649-5393.

New groups join world federation

The International Federation of Risk & Insurance Management Assns., a worldwide risk management network, has announced the addition of five new risk management groups for a total of 17 member organizations.

Membership applications for three new organizations were approved earlier this year at

IFRIMA's bi-annual board of directors meeting.

The Risk Manager Committee—The Central Chamber of Commerce of Finland; the Indian Institute of Insurance & Risk Management (IIRIM); and the Risk & Insurance Management Society of Nigeria (RIMSON) were formally admitted to IFRIMA.

Asociacion Espanola de Gerencia de Riesgos y Seguros (AGERS) of Spain and the Swiss Association of Insurance & Risk Managers (SIRM) were admitted prior to the meeting.

The IFRIMA board, consisting of one representative from each member organization, also elected officers to two-year terms. Hugh Loader, a member of the Association of Insurance & Risk Managers in Industry and Commerce (AIRMIC), was elected chairman; and Michael McDonald, a deputy member of the Risk & Insurance Management Society Inc. (RIMS), was elected president.

Other new officers are: Bill Dunne, of the Assn. of Risk & Insurance Managers in Australia (ARIMA), elected executive vp; Guy Lamand, of Association Professionnelle des Charges de la Gestion des Risques et des Assurances des Entreprises Francais de France (ACADEF), elected vp; Yasuhiko Ushiba, of the International Risk Management Society of Japan (IRMS/J), elected secretary; and Peter Glogowski, a member of Associaçao Brasileira de Gerencia de Risco (ABGR) of Brazil, was re-elected treasurer.

IFRIMA is currently working on the development of a handbook designed to standardize risk management terms for universal usage. The federation also endorsed plans for ARIMA's World Risk Management Congress planned for 1988 in Brisbane, Australia.

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Circle K names Perry director of insurance

Clayton C. Perry has been named director of insurance at Circle K Corp. in Phoenix, Ariz. In this newly created position, Mr. Perry will be responsible for property/casualty insurance and claims administration, as well as purchasing administration. Mr. Perry reports to Bill J. Farmer, senior vp and chief financial officer of the convenience market retail chain and holding company. Prior to joining Circle K, Mr. Perry was director of insurance at Southwest Forest Industries in Phoenix and, prior to that position, he served as director of insurance at Augusta, Ga.-based Columbia Nitrogen Corp. Mr. Perry received a bachelor of arts degree in economics from Trinity College in Hartford, Conn. He is a member of the Arizona Chamber of Commerce Insurance Committee, the American Management Assn. and the Insurance Committee of the American Paper Institute. In addition, he is a deputy member of the Risk & Insurance Management Society.

William A. Sowinski Jr., 34, has been named director-litigation at Owens-Corning Fiberglas Corp. in Toledo, Ohio. In this new position he will manage all litigation for Owens-Corning, in addition to counseling corporate officers and managers on product safety and health matters that affect business operations. He will report to William W. Colville, senior vp and general counsel. Prior to joining Owens-Corning, Mr. Sowinski was a senior attorney at G.D. Searle & Co. in Skokie, Ill. Mr. Sowinski holds a bachelor of arts degree in philosophy and political science from Marquette University in Milwaukee and a doctor of law degree from the Marquette University Law School.

James E. Drake, 48, has been named risk manager/insurance consultant at Price Communications Corp. in New York. In this newly created position he will be responsible for the broadcasting and advertising concern's risk management program, as well as property/casualty and employee benefits coverages. Mr. Drake reports to Ellen Strahs Fader, vp and secretary. Prior to joining Price, Mr. Drake was a vp at insurance broker E.G. Bowman Co. Inc. in New York. He received a bachelor of arts degree in economics from the Bernard M. Baruch College of the City University of New York and a master of business administration degree from City College of the City University of New York.

William J. Haggerty, 55, has been promoted to senior vp at Manufacturers Hanover Trust Co.'s Operations Division in New York. In this position, he is officer in charge of Manufacturers Hanover's Risk Management Services Group, which encompasses insurance and computer risk management, investigation and protection, as well as corporate contingency planning. Mr. Haggerty, who established the Risk Management Services Group in 1983 as vp, joined Manufacturers Hanover's insurance department in 1974. He reports to John J. Evans, vice chairman of Manufacturers Hanover Corp. Mr. Haggerty received a bachelor of arts degree in economics from the University of Bridgeport in Bridgeport, Conn., and graduated from the School for Executive Development of New Haven University in New Haven, Conn. Mr. Haggerty is a member of the Insurance Committee of the American Bankers Assn. and the Bank Administration Institute. He is also a deputy member of the Risk

comings & goings: buyers

& Insurance Management Society. In addition, Mr. Haggerty is a former chairman of the Insurance Committee of the New York Clearing House Assn.

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Don't fear self-insurer bankruptcy: NCSI

By JULIE TRUCK

State regulators' concern that self-insured employers may become bankrupt and not pay workers compensation claims is largely overstated, says a new survey by the National Council of Self-Insurers.

Only 0.2% of the employers that self-insure their workers comp exposures filed for bankruptcy between 1980 and 1984, despite the generally sluggish economy during the period, the survey showed.

Furthermore, the authors of the survey estimate that 99% of the open workers comp claims pending against these bankrupt employers will be paid by either the self-insurer itself, surety companies or from other authorized funds.

The survey arose from a NCSI symposium on self-insurance security requirements presented in conjunction with the 1984 annual meeting of the International Assn. of Industrial Accident Boards & Commissions. said Daniel R. Minnick, past president of the NCSI and an attorney with LTV Steel Co. Inc. in Cleveland.

While there has been much discussion over the problem of self-insurer bankruptcies, no statistics had been gathered previously on the scope of the problem, Mr. Minnick said. "A majority of states have said that it hasn't been that much of a problem; we tried to find

out if it is."

During the five-year survey period, 143 bankruptcies were reported by 60 different self-insurers. For purposes of the survey, the bankruptcy of an employer with operations in more than one state was counted as a separate bankruptcy in each state.

This compares with an estimated 40 bankruptcies reported between 1970-1979, the survey says.

Although Mr. Minnick cautioned against using actual numbers reported in the survey to draw conclusions, he said that the percentages gathered were an accurate representation. For those states that did not supply particular information or where the state indicated the information was not yet known, that information was excluded, he noted.

Of the 47 states and the District of Columbia that allow employers to self-insure their workers compensation exposures, 39—or 81.3%—responded to the questionnaire. The three states that do not permit employers to self-insure are North Dakota, Texas and Wyoming.

During the survey period, the number of employers that were granted the right to self-insure increased 18% to 13,022 in 1983 from 11,024 in 1980. The number of self-insurers in 1984 declined to 12,679, according to the survey, because two states that had reported numbers during prior years did not re-

States with most self-insurer bankruptcies

State	1980	1981	1982	1983	1984	Total
Ohio	4	1	10	6	8	29
Illinois	1	5	10	8	2	26
New York	0	1	4	1	4	10
Arkansas	1	0	6	1	0	8
California	1	0	3	3	1	8
Florida	2	0	3	3	0	8
Pennsylvania	1	0	2	1	4	8
Oregon	0	2	5	0	0	7

Source: National Council of Self-Insurers

Chart: Holly Seguire, Amy Palmer

port statistics for 1984.

Illinois led the states with the largest number of workers compensation self-insurers with 1,653 in 1984, followed by North Carolina with 1,444 self-insured employers.

The number of workers compensation claims paid by self-insured employers peaked in 1983 with 361,206 claims, based on data from 14 states submitted to the NCSI, but declined the next year to 285,617, based on data from 15 states.

In 1980, nine states reported 316,798 claims were paid by self-insurers; in 1981, 12 states reported 353,495 claims paid; and in 1982, 14 states reported 356,763 claims paid.

Along with the increasing number of claims from 1980 to 1983, the dollar value of the claims also steadily increased with 19 states reporting \$665.5 million in claims paid by self-insurers in 1983,

though this dropped to \$604.8 million in 1984 as reported by 17 states.

Of the jurisdictions surveyed, 67.8% of the bankruptcies reported occurred in seven states. Ohio recorded the largest number of bankruptcies with 29, followed by Illinois with 26, New York with 10 and Pennsylvania, Florida, California and Arkansas with eight each.

Of the 143 bankruptcies recorded, 7.7% occurred in 1980, another 7.7% occurred in 1981, 42.7% occurred in 1982, 21.7% occurred in 1983 and 20.3% occurred in 1984.

The average length of time that an employer had been self-insured before declaring insolvency was 9½ years. But 37% of the self-insurers that went bankrupt had been self-insured for five years or less.

Cleveland-based White Motor Co. had been self-insured the longest—66 years—before it declared bankruptcy, the survey showed.

The survey also tracked which industries experienced the largest number of bankruptcies. The trucking industry had the largest number, with 42.1% of those reported, followed by paper products, vehicle manufacturing and the meat packing industries, all of which experienced 5.3% of the bankruptcies.

Although the wording of state laws and regulations vary, most states require an annual review of a self-insurer's financial status, the survey shows. In addition, most states require a self-insurer to post additional security to be used to pay claims in the event of bankruptcy.

The survey showed about 36 of the reporting states required a surety bond as security at the end of 1984, 25 required excess insurance, nine required joining a guaranty fund and seven accepted a guarantee from a parent company.

According to the survey, states tapped security posted by bankrupt self-insurers at least 87 times to pay a total of 2,795 claims.

"I think that some of the states have over-reacted...but to some degree what the survey shows is that the states have done a very good job in (regulation of self-insurers)," Mr. Minnick said.

According to the survey, slightly more than 50% of the states require the person analyzing the financial condition of work comp self-insurers have specific training. But almost all of the states surveyed said the people who analyze self-insurers do have some special training.

While the problem of self-insurer bankruptcy "appears very minor," Mr. Minnick stressed that regulations should continue to balance employers' ability to self-insure workers compensation exposures with the need to make sure they can honor these obligations.

"The National Council is willing to work with the states if they try to adopt regulations so they are meaningful without being overly costly to the employer," he said.

For more information on the survey, "Workers Compensation Self-insurers and Bankruptcy," contact Douglas Stevenson, National Council of Self-Insurers, 10 S. Riverside Plaza, Suite 1530, Chicago, Ill. 60606; 312-454-5110.

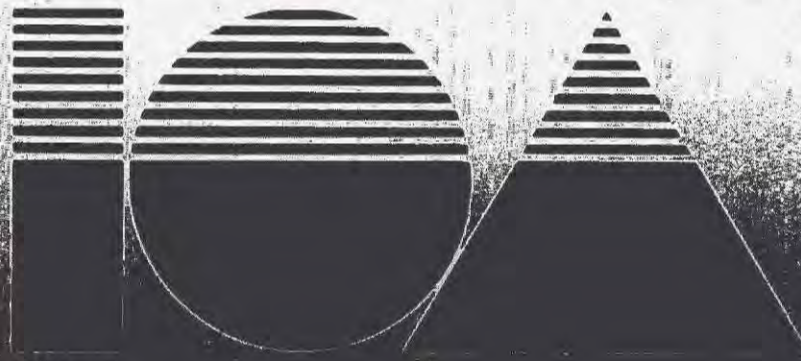
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Harsh comp rules not needed: Self-insurers

By JULIE TRUCK

State regulators should back off from imposing undue requirements on employers that want to self-insure their workers compensation exposures, some self-insurers and other experts say.

They cite a recent survey by the National Council of Self-Insurers that a very small percentage of workers compensation self-insurers have gone bankrupt, and most of them have adequate funds to pay claims (see story, page 66).

Tough regulations have discouraged many of the nation's smaller employers from taking advantage of self-insuring, although the rules also have kept many financially troubled firms from self-insuring, experts note.

"While we encourage self-insurance, we don't want people who shouldn't be self-insuring to give a black eye to the rest of us," said Douglas F. Stevenson, executive director of the Chicago-based NCSI.

"Regulators have a right to be concerned, but I would agree that there has been a bit of an over-reaction," said Gregory Saxum, director of workers compensation for Eastman Kodak Co. in Rochester, N.Y.

"Instead of plugging a hole in the dam, there has been more of a tendency to put up a whole new dam," Mr. Saxum said.

"Everyone likes to complain about regulations—no one likes them—but on balance the regulators have done quite a good job," adds Bruce Martin, president of the Florida Assn. of Self-Insurers in Winter Park.

According to the survey, only 0.2% of the nation's self-insurers went bankrupt between 1980 and 1984. Furthermore, the number of employers becoming self-insured increased 18% to 13,022 employers between 1980-1983.

"At least in Florida, there's been no real problem with bankruptcies," said Jack C. Inman, director of the state's Division of Workers' Compensation. "That's not saying that we don't have to be alert to the possibility, but I can't remember an incident in which claimants had not received their benefits."

While the survey concluded that

South Carolina plans truck cover

COLUMBIA, S.C.—The South Carolina Insurance Commission is taking steps to establish a voluntary insurance plan by Aug. 1 for hard-to-place commercial auto and trucking risks.

However, Aug. 1 may be an "optimistically early date," said Chief Insurance Commissioner John G. Richards.

The commission already has established a 10-member board for the new Commercial Automobile Insurance Plan, approved an operating plan and assessed about 200 insurers \$250 each to generate \$50,000 in operating revenue. It is now soliciting those insurers to find out which want to service the CAIP program, according to an Insurance Department spokesman.

The CAIP program probably will operate as a joint underwriting authority providing insurance for long-haul trucks, motorcoach buses, dump trucks, pulpwood trucks and taxicabs, the spokesman said.

The CAIP is designed to serve as a market of last resort for businesses unable to find coverage, Mr. Richards said.

He predicts that the CAIP may have a short life span, because the program would be ended after market competition resumes. ■

overall most states have done a very good job at regulating self-insurers, it noted that there is no single best method to assure that an employer has the financial ability to self-insure or determine the amount or type of security that should be required.

In addition, the long-term history and future prospects of the individual company must be considered in determining which employer is a "financially responsible employer," the survey said.

"It would almost be better looking at The Wall Street Journal to determine if a company has the ability to pay its claims," Mr. Stevenson said.

In the past two years, more than 16 states have toughened their self-insurance requirements by increasing the amount of security deposit,

changing the form of acceptable security deposit, or both.

For example, Illinois last year created a six-member Self Insurance Advisory Board to administer the claims of bankrupt self-insurers, collect surety deposits and make payments to claimants, said Tom Nyhan, executive secretary of the Illinois Self-Insurers Assn. in Chicago.

"We had a need for proper regulations without increasing the red tape or complications of employers seeking to self-insure," he said.

One of the functions of the Illinois board will be to evaluate potential self-insurer applications and make recommendations to the Illinois Industrial Commission on the financial status of the employers, he said.

According to the NCSI survey, Il-

linois was second in the nation for the number of bankruptcies with 26 during the survey period.

"I think Illinois is near average for your heavy industrial state," said Dan Csar, manager of the Office of Self-Insurance Administration, a branch of the Illinois Industrial Commission.

But, he added, "relaxing the regulations to allow smaller employers to self-insure is an arbitrary call."

Ohio, which recorded the largest number of self-insurer bankruptcies with 29, also recently amended its self-insurance statutes.

The state's complex bonding requirements had caused many of the state's smaller employers to abandon the idea of self-insuring, said Richard D. Schafstall, president of the NCSI, as well as president of the Ohio Self-Insurers Assn. and

director of safety and environmental health for Cincinnati Gas & Electric Co.

But, as a result of the new Ohio law, employers will now be able to purchase surety bonds directly from the Ohio Industrial Commission. The bill also set up a three-member panel to address complaints against self-insurers (BI, June 9, 1986).

"If we had enough regulations would there have been any bankruptcies?" asked Philip Donner, law director for the state Bureau of Workers' Compensation in Columbus.

"It's hard to explain any one cause for bankruptcies, (but) one answer might be that the Ohio economic climate made employers more susceptible to the possibility of bankruptcies," he added. ■



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CIGNA, AIG purchasing less reinsurance

By JUDY GREENWALD

NEW YORK—CIGNA Corp. and American International Group Inc. are buying less reinsurance, partly because of rising reinsurance costs, officials of both companies say.

John C. Morrison, senior vp and chief underwriting officer for CIGNA's property/casualty group, said CIGNA will not buy as much reinsurance as previously because:

- It will not pay the rates now quoted by reinsurers.

- With CIGNA's pricing now on the "right track," it wants to keep more premium in-house and is thus increasing its retentions.

As a result, said Mr. Morrison, the insurer expects to spend less for reinsurance in 1986-87 than it has in the past.

"There is no question the cost is

up for what we buy. We'll just buy less of it," Mr. Morrison said during a panel discussion on reinsurance availability at a conference sponsored by the Assn. of Insurance and Financial Analysts last month in New York.

Similarly, Christian M. Milton, an AIG vp, said his company has also increased its retentions.

In fact, Mr. Milton predicted that the top 20 U.S. insurers will be buying "far less reinsurance going down the stream than ever before."

AIG may increase its retentions further, Mr. Milton said. With \$16 billion in assets and \$4 billion in net premiums written expected this year, AIG is now "seriously considering" whether it needs to spend \$14 million for catastrophe reinsurance.

Mr. Milton later told *Business Insurance* that while increasing

'There is no question the cost is up for what we buy. We'll just buy less of it,' Mr. Morrison says.

retentions will put some pressure on AIG's capital and surplus, the impact of such a move would be diluted because a recent stock offering has boosted the insurer's surplus (*BI*, March 24).

Mr. Morrison during the panel discussion described the reinsurance market as "terrible. It's very, very tight."

Availability has "shrunk quite a bit," he said, because a number of

reinsurers have gone out of the business for various reasons and captive insurers have stopped writing third-party risks.

In addition, fewer lines of coverage are available, and "there are lots of restrictions," Mr. Morrison pointed out. Reinsurance for pollution liability risks is unavailable, while almost all types of liability reinsurance is hard to buy, he said.

As a result, with supply reduced and demand steady or increasing, prices are up, he said. Reinsurers are charging "whatever the traffic will bear" for liability reinsurance, he noted.

Mr. Morrison noted that this year CIGNA was able to buy reinsurance without sunset clauses, which generally phase out coverage over a defined period, typically five years. But, he added, he doubts

CIGNA will be able to obtain reinsurance contracts without sunset clauses next year (*BI*, July 14).

In addition, while sunset clauses have been applicable only to new cases, the concept may be extended in the future to loss development on cases already reported, he said.

Mr. Morrison said reinsurers must "shoot for" 15% to 20% return on equity, as opposed to the 15% returns on equity primary insurers most often aim for. Reinsurers need the higher returns because their business fluctuates more rapidly than primary insurers.

Reinsurers, "knock off the lumps" on the primary insurers' business, Mr. Morrison explained.

Reinsurers will receive a reasonable return on equity on business written this year, he said, though he noted that claims paid by reinsurers on previous years' business must also be taken into account.

Mr. Morrison described reinsurance recoverables as a "growing problem for all of us," noting some major reinsurance underwriters have been placed in liquidation. How much primary insurers are impacted by this problem, depends on how much reinsurance was purchased, he said.

CIGNA, Mr. Morrison noted, has been cautious in selecting its reinsurers, yet the company expects \$30 million in uncollectibles to "show up" this year.

In addition, Mr. Morrison noted that litigation between reinsurers and ceding companies is currently on the increase.

He attributed the rise in reinsurance litigation to the fact that society in general is more litigious and to the fact that top managements are more financially and legally oriented and feel they have a responsibility to their shareholders to recover as much money as they can.

But Mr. Morrison confessed he prefers the days when primary insurers and their reinsurers operated under a gentlemen's agreement, where "you knew what your intentions were" when the reinsurance contract was written and acted accordingly.

Lloyd's Council censures Glover

LONDON—A former deputy chairman of Lloyd's of London broker Alexander Howden Group P.L.C. has been disciplined by the Lloyd's Council for improperly accepting \$50,000 from former Howden Chairman Kenneth Grob.

Michael Glover, who retired from Howden in 1983, was censured by the council after a Lloyd's disciplinary committee found Mr. Glover guilty of misconduct for failing to disclose the receipt of \$50,000 in Howden funds in 1976 and 1977.

Lloyd's said that \$50,000 in company funds had been paid on the instructions of Mr. Grob into a Liechtenstein trust owned and controlled by Mr. Glover.

"The committee found that such conduct in a man of Mr. Glover's experience, seniority, status and responsibilities was dishonorable," Lloyd's said. Mr. Glover was ordered by Lloyd's to pay more than \$21,000 to cover the costs of the disciplinary proceeding.

Mr. Glover could not be reached for comment. However, he said in 1984 that the \$50,000 payment by Mr. Grob was not connected with the alleged misappropriation of \$55 million in Howden funds by five former Howden officials, including Mr. Grob. In addition, Howden's parent, Alexander & Alexander Services Inc., has not attempted to recover the \$50,000 from Mr. Glover (*BI*, March 19, 1984).

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Weavers again underwriting new North American business

By STACY SHAPIRO

LONDON—One of the major London markets for U.S. excess liability risks is again writing new North American business.

However, H.S. Weavers (Underwriting) Agencies Ltd. will no longer write new "heavy" liability risks for U.S. companies, including coverage for utilities, oil companies or pharmaceutical manufacturers.

In addition, it no longer is writing new professional liability or directors and officers liability coverage.

Weavers lifted its ban on writing new North American excess liability business on July 9, confirms Weavers Managing Director Peter Wilson. Brokers earlier this month reported that Weavers had issued a letter saying the moratorium soon would be lifted (BI, July 14).

The moratorium on new North American business was imposed by Weavers during the spring so the underwriting agency could concentrate on renewing existing business (BI, April 7).

Although Mr. Wilson says Weavers is now accepting new liability business from U.S. companies, he says the agency has imposed several restrictions, including:

- All risks will be underwritten on claims-made forms that are agreed to by Weavers. Mr. Wilson said that in addition to Weavers' own claims-made form, the agency will consider following the claims-made form used by Lloyd's of London underwriters for U.S. liability business or other claims-made forms that Weavers approves.

The Lloyd's claims-made form is considered more restrictive than the Weavers form.

- Minimum policyholder retentions will increase to \$5 million per occurrence and aggregate. During July 1 renewals, Weavers demanded retentions of \$2 million per occurrence, \$2 million aggregate for general and auto liability risks and up to \$4 million aggregate for product liability risks.

- Weavers will not write any new excess liability coverage for petrochemical and oil refining companies, building contractors, pharmaceutical manufacturers, utility companies or municipalities. However, it will continue to renew coverage for these types of policyholders.

- Weavers also will not write new medical malpractice, fiduciary liability, errors and omissions, directors and officers liability, fidelity and bankers blanket bond coverages. It still will renew these types of coverages for current policyholders, though.

- Weavers will not write coverage in conjunction with new line slips or "association-type" programs.

"That doesn't leave much left," said one Lloyd's non-marine broker.

However, Mr. Wilson says there is "plenty of business available" for Weavers to write despite the restrictions. For instance, he said Weavers is interested in writing liability coverage for U.S. railroads, service industry companies and light manufacturing companies.

In addition, Weavers will have more capital with which to write new business after a stock offering is completed by London United Investments P.L.C., Weavers' parent company. London United plans to offer 7.35 million new shares to raise 24.3 million pounds (\$36.5 million).

The new funds will be added to the capital of Walbrook Insurance Co. Ltd., a London United Investments subsidiary, which earlier this year reported capital of 29 mil-

lion pounds (\$43.5 million).

Walbrook is one of seven insurers participating on Weavers line slip. *Business Insurance* earlier this year estimated the capital and surplus of the seven insurers totaled 82 million pounds (\$123 million).

Mr. Wilson will not comment on the insurers' capitalization, though he did say that "as a result of new capital, we are in a position to look at some new business. But we are adopting a tight underwriting policy to get the best business we can."

Mr. Wilson noted that Weavers has been approached by a "substantial group of non-insurance corporations" to manage an investor-owned insurance facility. He would not identify the companies or say what type of coverage would be written by the facility. ■

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Claims-made

Continued from page 1

"More than half of our primary business is still on an occurrence basis," said William J. Richardson, executive vp of Frank B. Hall & Co. of New York, a unit of the country's fourth-largest broker.

Fewer than 5% of Financial Guardian Group Inc. clients' primary policies are being written on claims-made forms, said Steve Harter, senior vp of the 19th-largest U.S. broker based in Kansas City, Mo.

"Claims-made hasn't caught on like we thought it would," said Sidney A. Stewart, chairman and chief executive officer of The Crump Cos. Inc. in Memphis, Tenn., the eighth-largest U.S. broker.

"Possibly 20% of our primary coverages are on claims-made. On tough classes, claims-made is coming into play.

"Standard and good business is staying on an occurrence basis. Companies are willing to do that to retain the business. Most of them would have preferred to write on claims-made, but they are not getting a positive response to it from their clients," Mr. Stewart observed.

Claims-made CGL coverage was "the biggest non-event of 1986 in the insurance industry," according to Earl Butler, senior vp and chief operations officer with Cal-Surance Group in Torrance, Calif., a regional retail broker ranking as the 30th-largest U.S. broker.

"Even though Fireman's Fund is pushing it, there's too much confusion about it. Most carriers still haven't taken a position on what they're going to do" about claims-made forms, he says.

Other regional brokers agree.

Ron Giadrofich, vp of marketing of McGriff, Seibels & Williams Inc. in Birmingham, Ala., the 21st-largest U.S. broker, reports having seen fewer than "a half-dozen" primary policies written on claims-made forms, although the form is showing up among insurers that write "heavy, long-tail casualty accounts."

"There has been much talk about adoption of claims-made by many of the insurers we represent. But all have had target dates that are

Claims-made CGL coverage was 'the biggest non-event of 1986 in the insurance industry,' according to Earl Butler, senior vp and chief operations officer with Cal-Surance Group, a regional retail broker in Torrance, Calif.

pushed back," said Thomas J. Klindedinst Sr., president of Thomas E. Wood Inc. in Cincinnati, the 72nd-largest broker in the country.

Some insurers have talked about new target dates of Sept. 1, by which time claims-made policies would be in use, but Mr. Klindedinst doesn't believe that to be a realistic date anymore, based on information from insurers.

Most insurers that write coverage for J. Smith Lanier & Co. clients are "backing off" from using the claims-made form, according to Gaines Lanier, secretary and treasurer of the West Point, Ga., brokerage, which ranks as the 56th-largest U.S. broker.

"Only one or two are using it on long-tail risks. I think that thing was a lot less than it started out to be," Mr. Lanier said.

But, while brokers agree insurers are not forcing claims-made coverage on risks across the board, they also agree that both difficult and large risks are more likely to be offered only claims-made coverage.

About 50% of Johnson & Higgins clients, which include many of the country's largest buyers, are purchasing primary liability insurance on a claims-made basis, said Robert A. Kerekes, a senior vp at the third-largest U.S. broker.

Insurers are pushing claims-made policies "certainly on product liability risks with long tails," says Don Urbanciz, senior vp of Rollins Burdick Hunter Co. in Chicago, the seventh-largest U.S. broker.

Although clients prefer occurrence-based policies, clients with hazardous risks have little option but to take a claims-made policy, according to John T. Sinnott, an executive vp of Marsh & McLennan Inc., the country's largest broker.

"Where there is a products liability exposure, we will see more business renewed on claims-made," according to Mr. Richardson of Hall.

"Some insurers have lists of types of risks they will entertain for claims-made and risks they will write only on an occurrence basis. They offer no options. It's an either/or situation. Their minds cannot be changed," he notes.

The claims-made form is beginning to appear "quite a bit" on risks with the potential for long-tail claims, said Larmon Salmon, president of the Houston-based unit of Bayly, Martin & Fay International Inc. in Fort Worth, Texas, the 10th-largest U.S. broker.

"Hazardous product and chemical lines are pretty much forced to use the claims-made form," noted Richard A. Maxwell, president of the Brokerage Services Group at Corroon & Black Corp., the sixth-largest U.S. broker.

Brokers report that several insurers are using their own primary CGL forms rather than the Insurance Services Office form, which has been the subject of controversy and delays in obtaining state insurance department approval.

Among insurers that confirm using their own primary claims-made CGL forms in addition to occurrence forms are: The St. Paul Cos. Inc., Hartford Insurance Group, and Travelers Insurance Cos. for special accounts.

American International Group Inc. also is using its own claims-made form, but also will still write some occurrence coverage, several brokers said. AIG would not comment.

Insurers using the ISO primary CGL claims-made form in addition to occurrence forms include Fireman's Fund Insurance Cos., The Home Insurance Co., Continental Insurance Cos. and CIGNA for some risks.

Wausau Insurance Cos. plans to selectively use ISO's form starting Sept. 1 for new business and Oct. 1 for renewals, according to an exec-

utive with the insurer.

The slow growth of claims-made forms for primary liability insurance reflects the difficulty ISO had obtaining approval for its form.

At the beginning of the year, the original ISO claims-made form was ready for use in only eight states (BI, Jan. 13).

However, a revised form is now available for use in 39 states and other states are expected to allow its use on a restricted basis (see story, page 1).

Renewal policies handled by Mahoney & Wright Insurance Agencies in Massachusetts, for example, are overwhelmingly on an occurrence basis because regulators in Massachusetts, where many of the brokerage's policies are written, have not approved use of a claims-made form.

"We are not feeling it where we are," said Norman Wright, chief executive officer.

The Kaye Group, the 16th-largest U.S. broker, is based in New York, where insurance regulators have not approved the claims-made form, and has yet to place a claims-made policy, said President Lawrence Greenfield.

That may change in the next 60 to 90 days when New York's regulations on restricted use of the form are issued, he added.

"The pressure is increasing each month," he said. "The insurers are pushing it like crazy. We are pushing back."

However, use of claims-made forms is much more prevalent for excess limits of liability insurance and there are many more different excess forms.

"We're seeing more use of claims-made in excess coverage," said Mr. Richardson of Hall.

Insurers are pushing claims-made continuously for excess liability risks and are giving clients very few options, said Mr. Kerekes of J&H.

"In the excess area, approximately 80% of the policies are claims-made on the tougher risks," says Mr. Stewart of Crump. But, for clients that need less than \$25 million in limits, most are still buying occurrence policies for their excess layers, Mr. Stewart said.

Buying occurrence policy forms for layers above \$25 million is

nearly impossible, brokers agree.

"When you get to excess liability, particularly in the first \$25 million, it is very difficult to find capacity. To get an occurrence umbrella in excess of \$15 million to \$20 million is pretty rare. It's a different situation on claims-made. It's more doable, but just a little less difficult," according to Mr. White of A&A.

Mr. Urbanciz said the breakpoint between occurrence and claims-made appears to be around the \$20 million to \$25 million layer.

"There are some difficult risks where you can get only about \$25 million of occurrence coverage and the only excess coverage above that would be claims-made," observes Timothy Reath, executive vp of Jardine Emmett & Chandler Inc., the ninth-largest U.S. broker.

"If you are just going occurrence, and you have a difficult risk, it is clearly going to reduce the amount of capacity that is available to you," he adds.

"If we go claims-made, we are finding that we can get much higher excess limits than we can on occurrence," agreed Mr. Maxwell of Corroon & Black.

"It's hard to generalize, but you're talking, on an occurrence form, of finding excess coverage of maybe \$35 million to \$40 million. If you go claims-made and use some of the new facilities available, you can go to maybe \$100 million in coverage."

When forced to mix occurrence and claims-made forms, brokers say they are building as much primary and low-excess occurrence coverage as they can before switching to the more restrictive claims-made forms.

Since ISO only recently issued a sample excess CGL claims-made form, insurers writing excess liability insurance on a claims-made basis have developed their own forms.

Among these U.S. insurers are: Fireman's Fund, St. Paul, Hartford, CIGNA, The Home, AIG, Continental and Travelers.

None of these insurers say they are writing strictly claims-made liability insurance for either primary or excess limits, contrary to reports from brokers about several of the insurers' tough stands on excess claims-made forms.

For excess policies, "we would prefer claims-made, and on tougher classes we would demand claims-made," said a Fireman's Fund spokesman, who also noted that only 5% of the insurer's policies written in June were on a claims-made basis.

"We're not exclusively using one form or the other," said a St. Paul spokesman.

"The only state where we are primarily using the claims-made form is California and as time goes on, we'll phase in the claims-made form in other states."

The Travelers spokesman stressed that the insurer is not using the claims-made form for its normal books of business. Beginning on Jan. 1, 1987, "we will use the ISO claims-made form perhaps 10% of the time," he added.

A special accounts marketing group at Travelers has underwritten "a few claims-made policies since December of 1985. In those cases, the form is Travelers' own form because they are tailor-made for the special accounts," he explained.

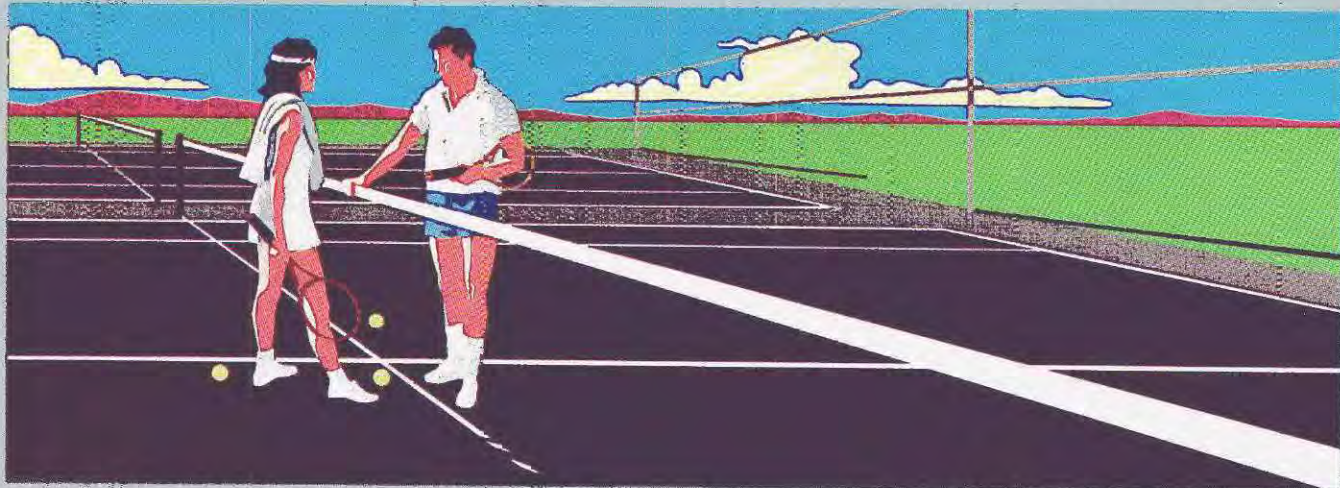
The most frequently mentioned market for excess occurrence coverage was First State Insurance Co., a Hartford affiliate.

First State confirmed brokers' reports that it is still a market for excess occurrence policies, including one that follows ISO's occurrence form and another that follows the older, traditional occurrence form. The latter policy is used in certain situations, a spokeswoman said, such as on high limits or on less hazardous manufacturing

Continued on next page

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Continued from previous page
or less hazardous product liability risks.

Part of the reason claims-made forms are more prevalent in excess layers is that surplus lines insurers more often write excess layers and they are not subject to policy form regulation.

"Much has gone claims-made," said J. Patrick Gallagher, vp-operations with Rolling Meadows, Ill.-based Arthur J. Gallagher & Co., the 11th-largest broker in the United States.

"A good portion (in excess/surplus business) is going claims-made at every anniversary," Mr. Gallagher noted.

Excess/surplus lines insurers are pushing the claims-made form, agreed Mr. Harter of Financial Guardian.

Further complicating liability insurance programs is the issuance of two different claims-made excess policy forms in the London market: one from Lloyd's of London underwriters and another from H.S. Weavers (Underwriting) Agencies Ltd.

"Excess forms haven't even attempted to follow the ISO changes," comments Mr. Richardson of Hall.

"Even if an insurer uses the ISO CGL policy, that still doesn't mean we'll get an umbrella to match. We're very concerned about the E&O implications of this multiplicity of forms."

"The industry has done a very bad job of taking care of its clients," Mr. Richardson said.

"The industry has created a monster here because there is such a hodge-podge," observed Mr. Maxwell of Corroon & Black.

Mahoney & Wright is considering refusing to mix the two policy forms because clients might not understand the ramifications, and the brokerage could face an errors and omissions exposure after the first renewal, according to Mr. Wright.

While mixing a claims-made excess policy with an occurrence primary policy creates confusion, so does mixing the different claims-made forms for primary and excess insurance, warns an attorney, Pete Ligeros, with consultant Warren, McVeigh & Griffin Inc. in Newport Beach, Calif.

Coverage gaps can result when the primary and excess claims-made forms do not fit together well, he says.

"I see some major problems with the notice-of-claims provisions," Mr. Ligeros explains.

"The ISO form allows oral notice of a claim. Almost every umbrella policy requires written notice. This may be a minor problem when you look at it on paper, but the mechanics of it can be a real headache," according to Mr. Ligeros.

Differences in the provisions for requesting extended reporting period coverage is another potential problem, Mr. Ligeros says.

"Maybe your primary form allows you 60 days to request an extended reporting period, and maybe the umbrella only gives you 15 days. You can't get lulled into a false sense of security about what your primary does. The umbrella could be totally different," Mr. Ligeros warns.

Mr. Ligeros is developing a chart for the consultant's "Umbrella Book" that compares 15 different claims-made excess and umbrella forms currently being used in the marketplace.

He also is in the process of developing a computer program that risk managers could use to flag potential gaps in coverage in insurance programs that combine claims-made and occurrence policies as well as programs that combine several different types of claims-made policy forms.

M&M already developed a computer system for comparing the various claims-made excess and

'The industry has created a monster here because there is such a hodge-podge' of insurance policy forms, observes Richard A. Maxwell, president of the Brokerage Services Group at Corroon & Black Corp.

umbrella policies in use in the market, says Lawrence Drake, an M&M managing director.

The system is designed to help the broker prevent coverage gaps when putting together claims-made excess programs for its clients, he said.

There's no doubt that corporate insurance buyers want to buy occurrence CGL and excess liability forms.

"Occurrence coverage is preferred by the buyer," observes Mr. White of A&A.

"Clients are buying the occurrence coverage when given a

choice," he added.

"We're telling our clients to buy occurrence as long as it's available. Most clients agree that it's the wise thing to do," said Mr. Richardson of Hall.

When clients are given the option, they take occurrence-based policies, which is usually J&H's recommendation, Mr. Kerekes said.

Sometimes, however, price can convince a client to buy claims-made coverage, a couple of brokers said.

"We have given clients quotes on an occurrence basis and on a

claims-made basis, and when the price was considerably lower for claims-made, say 40% lower, the client picked claims-made," said Mr. Maxwell of broker Corroon & Black.

"Most insureds are going to take the occurrence form if they have the choice of the two, particularly sophisticated clients, unless the cost of the occurrence is way out of line," agreed Mr. Stewart.

Only a few brokers would predict how much claims-made forms will be used in the future, and they did not agree.

"We expect that claims-made is going to be more and more prevalent over the next six months to a year," said Robert Hilb, president of Hilb, Rogal & Hamilton Co. in Richmond, Va., the 14th-largest U.S. broker.

"Once they get the approvals totally in order, I think there will be a lot more pressure on us to use claims-made," he adds.

"I think you will see claims-made

become the standard form for tough risks in the excess market," predicted Mr. Gallagher.

"But underneath that tier, for your straight commercial business, I think there's a chance you'll never see it," Mr. Gallagher explained.

"With capacity coming in and the carriers wanting to get that market share, I think you'll see less emphasis on claims-made," predicted Mr. Butler of Cal-Surance.

"Things are starting to look a little better and some carriers are wondering about the wisdom of pushing claims-made when the client doesn't want it," observes Mr. Maxwell of Corroon & Black.

This story is based on reports by Business Insurance Associate Editors Michael Bradford, Carol Cain, Linda J. Collins and Meg Fletcher; Staff Reporter Donna DiBlase; and Los Angeles Bureau Chief Robert A. Finlayson. It was written by Editor Kathryn J. McIntyre.

We could write a book about the misconceptions people have about mental illness and its treatment.



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Line slip using 'reported occurrence' form

By CAROL CAIN

EAST HARTFORD, Conn.—American Excess Insurance Assn.—the only U.S.-based insurer line slip writing excess liability insurance—is using a specialized "reported occurrence" form.

Initially, it was thought that the American line slip would write coverage on a claims-made form (BI, March 17; May 26).

"Since that time, the policy form moved away from claims-made. It's very similar, but there are subtle changes," said Clinton N. Greene, president of Farmington Management Inc. in East Hartford, Conn., which is the general manager for American Excess.

Mr. Greene was formerly assistant vp in charge of national account underwriting for Aetna Cas-

ualty & Surety Co., the largest participant on the slip.

American Excess, initially formed by five U.S. insurers in cooperation with New York-based brokers Marsh & McLennan Cos. Inc. and Johnson & Higgins, started releasing quotations and accepting binders July 10, according to Mr. Greene.

Seven insurers were signed up, offering about \$50 million in limits excess of at least \$25 million. It is hoped the slip eventually will offer \$75 million excess of \$25 million.

American Excess expects to write 900 to 1,200 policies annually for a target market of the 1,000-largest companies in the United States, Mr. Greene said.

However, Mr. Greene noted that American Excess will not write insurance for airlines, railroads, bus companies and a few other types of operations.

On the top of each form is a statement identifying the form as "a reported occurrence policy, which contains certain features analogous to a claims-made form," Mr. Greene said.

Coverage under a reported occurrence form is triggered when notice of occurrence or a claim is filed by a policyholder. The policyholder is required to report when it becomes aware of an occurrence or a claim, or when a claim is made, Mr. Greene said.

The policy "responds when the insured is aware of the occurrence and notifies the carrier without regard to when the actual claim is filed or occurrence took place," Mr. Greene said.

In contrast, an occurrence policy responds to claims stemming from occurrences during the policy period, regardless of when the claim is filed, while a claims-made form responds only to claims filed during the policy period that are related to occurrences after the retroactive date of the policy.

The American line slip policy provides as its retroactive date the date of the first American Excess policy.

Under the American Excess policy, an occurrence is defined in two sections:

- An event or condition that

causes injury or damage.

- A batch provision that adds together as one occurrence all losses resulting from the same defect or hazard.

Defense costs are charged against the aggregate limits of the policy.

A five-year extended reporting period may be purchased by the named policyholder in the event of cancellation or non-renewal by the insurer or policyholder, Mr. Greene noted.

The cost for the extended reporting period coverage is a predetermined percentage of the policy premium and the cost is quoted with the initial policy quotation.

According to the policy's cancellation provision, a policyholder may cancel with 30 days' notice and the insurer may cancel with 90 days' notice.

The policy includes the standard liability policy exclusions such as: injury or damage occurring prior to the time of a contract entered into by the policyholder; watercraft; aircraft; nuclear energy; loss of use of tangible property; damage to the product or work out of which cov-

ered damage arises; product recall; and employment-related discrimination.

In addition, the American Excess policy excludes coverage for prior reported occurrences and contains two non-standard exclusions, which are:

- Pollution, except that caused by unintended fire or explosion, or lightning, collision or overturn of an automobile or railroad vehicle, and limited other sudden pollution incidents.

- Losses arising out of certain substances such as asbestos, tobacco, dioxin, DES, urea formaldehyde and IUDs.

The line slip also will not cover directors and officers liability risks.

The American Excess policy attaches over an underlying limit or other available insurance, whichever is greater.

The policy includes an arbitration provision governing coverage disputes.

The American Excess policy is an admitted policy form, which means it has been filed in every state. A few states still have not approved the form for use, Mr. Greene noted.

As an admitted policy, there are no surplus lines fees, Mr. Greene noted.

And, because the policy is issued by the association, there is no sharing of the limits among several policies, Mr. Greene added. The full assets of each insurer are available to pay claims, Mr. Greene noted.

The two newest members of the association are General Accident Insurance Group and The Home Insurance Group. The five initial insurers signing onto the slip were: Aetna, Chubb Group, CIGNA Corp., Crum & Forster Inc. and Travelers Insurance Co.

Under the line slip, participating insurers agree to assume a fixed percentage of each risk underwritten by the management firm.

"Each carrier signs on for a percentage," Mr. Greene said, noting that the association did not adopt a \$20 million limit on any insurer's participation as was previously proposed.

However, the association is not releasing the amounts of each insurer's commitment to the slip.

The annual premium volume of business written on the slip has not been determined. That will be part of a business plan that is still being developed, Mr. Greene said.

Access to the line slip is available only through Farmington and not through the individual participating insurers, Mr. Greene noted. An inquiry to a member insurer probably would receive a "no comment" from the insurer.

The members of the association are concerned about violating anti-trust laws, Mr. Greene explained. "It's a very delicate situation," he said, noting that the American line slip has taken a conservative position based on numerous discussions with outside counsel.

American Excess is one of the newest sources of excess insurance capacity excess of \$25 million and available to businesses outside of the many new group captives being formed.

Another new source of capacity for liability insurance excess of \$25 million is: East River Group Ltd., a Bermuda holding company formed by Continental Corp. Its two insurance subsidiaries, one in Barbados and one in Bermuda, together will offer a \$25 million limit excess of \$25 million.

In addition, X.L. Insurance Co. Ltd., a Barbados-based insurer funded by corporate sponsors and organized by Marsh & McLennan Cos. Inc. and Morgan Guaranty Trust Co., offers about \$45 million in liability limits excess of at least \$25 million.

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Bermuda treaty

Continued from page 2
ments.

A State Department official said he did not know when the treaty will be considered by the Senate.

But Bermuda, like Barbados, had to pay a price for its tax treaty and the benefits it bestows.

Bermuda had to agree to help the United States prevent tax fraud and evasion by American taxpayers by assisting in the enforcement of U.S. tax laws.

Previously, the Bermuda government refused to cooperate with U.S. officials on possible violations of tax laws in the United States, pointing out that no laws in Bermuda were violated because Bermuda has no income tax.

The U.S.-Bermuda treaty says "the competent authorities of the covered jurisdictions shall provide assistance as appropriate in carrying out the laws of the respective covered jurisdictions related to the prevention of tax fraud and the evasion of tax laws."

Further, the treaty states: "The competent authorities shall, through consultations, develop appropriate conditions, methods and techniques for providing, and shall thereafter provide, assistance as appropriate in carrying out the fiscal laws of their respective jurisdictions other than those relating to tax fraud and the evasion of taxes."

Premier Swan said that this mutual assistance clause of the agreement had been a major sticking point in months of negotiations with Washington, but it is not expected to erode the island's attraction as an offshore domicile.

It's unclear how the mutual assistance provisions of the treaty will be implemented. But, concerns have been expressed privately in Bermuda that Bermuda may have given up too much for too little.

Specifically, Bermuda's willingness to help the United States catch tax evaders could cost the island whatever business is conducted there to avoid U.S. taxation.

Private trusts are a large part of Bermuda's international business.

"Obviously the treaty will give us important information. It will have great value," commented a State Department official. However, he referred all other questions to the Treasury Department, whose officials did not return repeated phone calls last week.

Fremont suit

Continued from page 2

in the McMartin case, seeks a ruling on whether it must pay all fees charged by the defendants' attorneys, or just those Fremont deems reasonable; whether Fremont has the right to reject the additional attorneys if it believes they are unskilled in this type of case; whether Fremont must pay for additional counsel for each of the McMartin defendants; and whether the firm selected by Fremont must withdraw from the case.

The law firm Fremont retained to represent the McMartin defendants is Ellis, McGarry, Laufenberg & Raders in Los Angeles. If the court rules that Ellis attorneys can continue representing the McMartin defendants, Fremont asks that the firm be permitted to take control of the defense strategies.

The court has not set a hearing date on Fremont's request.

Criminal charges brought by Los Angeles County were dropped against five of the defendants last January, but are pending against Raymond Buckey and Peggy McMartin Buckey. Those cases are expected to be tried by October.

Numerous civil suits, which were filed by parents and other family members of children who attended the preschool, are pending in various stages in Los Angeles County Superior Court in Torrance. ■

'Now that we are likely to get exemption from excise taxes, we should have no trouble attracting more business,' says Alan Chilvers, group vp of International Risk Management Ltd., a captive manager in Bermuda.

The insurance industry is not concerned about any new exchange of information for tax purposes, commented Alan Chilvers, president of the Bermuda Insurance Management Assn., whose member companies manage the island's more than 1,200 insurance companies.

"The vast majority of insurance companies are here for good sound business reasons, not tax considerations," he said. "I do not foresee any adverse effects on the Bermuda industry."

Mr. Chilvers, a group vp at International Risk Management Ltd.,

commented that the tax agreement will help Bermuda tremendously. He anticipates more captives will form in Bermuda that may not have materialized without the treaty.

"Because of our more sophisticated service infrastructure, I think many people preferred Bermuda to Barbados in every respect except taxation," Mr. Chilvers said. "Now that we are likely to get exemption from excise taxes, we should have no trouble attracting more business."

Barbados will have a tough fight on its hands attracting business

once the Bermuda treaty is ratified, Mr. Chilvers predicts.

But Ted Griffith, general manager of the Barbados Central Bank, which is responsible for the development of the country's insurance industry, disagrees. "We already have 20 captives and are likely to get more. And we are not going to stop trying to attract business here," he said.

"If Bermuda gets its treaty, the realities of the marketplace will come into force and we will be on equal footing with Bermuda. Then we will see whether people prefer our infrastructure and costs or theirs."

Captive managers in the leading U.S. domicile for captive insurers, Vermont, also are not concerned by the tax treaty with Bermuda. They say the tax treaty will have no effect on the growing captive business in their state.

"Bermuda is not in direct competition with Vermont," said Ray Oberg, vp with M&M Insurance

Management Services Inc. in Burlington, Vt., a captive management subsidiary of Marsh & McLennan Cos. Inc.

Offshore domiciles attract association captives that gain other tax benefits by incorporating offshore, while Vermont is attracting wholly owned insurance company subsidiaries of U.S. companies, he said.

"The excise tax hasn't made a difference in the past," said Mr. Oberg.

However, Bermuda officials say the bulk of new captive formations in Bermuda this year have been wholly owned subsidiaries of U.S. corporations.

Bermuda, which is a colony of Great Britain, was given permission by Britain to sign the treaty of its own accord.

This story is based on reports by Business Insurance Washington Editor Jerry Geisel and Bermuda-based financial writer Roger Scotton.

HIGH-TECH LOSSES

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

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

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

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

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

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Kathryn Collura
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Panelist, *Computer Communications*
Case Study: *Computer Communications*
in conjunction with William M. Mercer-Meidinger Inc.

Pamela Keeler
Director, Advanced Benefit Communications
METROPOLITAN LIFE INSURANCE COMPANY
Panelist, *Computer Communications*
Case Study: *Computer Communications*

Pamela Kekich
Principal
KWASHA LIPTON
Case Study: *Print & AV Go Hand In Hand*

Kathryn McIntyre, A.R.M.
Editor
BUSINESS INSURANCE
Opening Remarks

Dennis B. McKoy
Senior Vice President
JOHNSON & HIGGINS
Case Study: *Computer Communications*
in conjunction with RCA Corporation

Alfred Malecki
Publisher
BUSINESS INSURANCE
EBC Awards Luncheon

John D. Moynahan, Jr.
Executive Vice President
METROPOLITAN LIFE INSURANCE COMPANY
Keynote Speaker
Moderator: *Communicating Healthcare Alternatives*

Robert Normyle
VP, Sales & Marketing
US HEALTHCARE, NEW YORK
Panelist, *Communicating Healthcare Alternatives: The HMO*

Eileen Nash
Director, External Communications
EQUITABLE GROUP & HEALTH INSURANCE COMPANY
Panelist, *Communicating Healthcare Alternatives: The Indemnity Plan*

• AGENDA • AGENDA • AGENDA • AGENDA • AGENDA • AGENDA • AGENDA

Keynote Address

Mr. Moynahan's dynamic address will set the tone for the *Business Insurance* 1986 Conference, as he describes today's changing healthcare environment and the developing trends in the marketplace.

Panel: Communicating Healthcare Alternatives

This three part panel will discuss how to best communicate the unique features of a particular type of healthcare plan so that employees can make informed choices. Speakers will point out weaknesses in how employers communicate alternative plans and how alternatives can be effectively communicated.

The Indemnity Plan: The changing healthcare environment has transformed the traditional plan to include innovative cost containment programs. *Equitable* suggests that as employees become active healthcare consumers, employers must develop comprehensive communication programs that motivate employees to get involved with their healthcare choices.

The PPO: The entry of preferred insurance into the marketplace requires the employee to have a greater understanding of the services provided. *Humana* stresses that while effective communications are essential for the total understanding of the plan, the employer must also assure employees that the quality of services has not been sacrificed for a lower cost plan.

The HMO: Healthcare management in the form of HMOs is in an evolutionary stage, suggests *US Healthcare*. The widening range of benefits — health programs such as health check and dental plans — point toward the need for increased communication by employers so that employees can make educated choices.

Panel: Computer Communications

This panel consists of employee benefit specialists whose companies are on the cutting edge of communications technology. Discussions will focus on why their companies opted for computer communications and how they combined market trends with technological innovations to implement state-of-the-art interactive communication vehicles.

Metropolitan Life blended the skills of benefits, technological and communication experts to develop an employee communications program called "SHOWCASE." Employees can directly access information about their benefits from interactive computer terminals housed in kiosks in the company lunchroom and lobby.

NCR Corporation is using NCR pc's as communication vehicles and interactive decision aids in employee retirement planning. NCR developed "EstiMATE," a software package that enables employees to do long-range forecasting of their future retirement income.

RCA Corporation's interactive communication system is tapped by employees for benefits data approximately 7,000 times a month. The system is designed to expand the applications to include interactive video, job postings, local health provider information and more.

Hanes Group, a subsidiary of Sara Lee Corp., developed a program using microcomputer disks to introduce a new 401(k) feature to their Retirement Savings Plan. In one-on-one meetings, employees were able to experiment with the percent of deferred pay and immediately see the impact of their decisions on take-home pay and benefit projections.

EBC Awards Luncheon

Recognizing outstanding communications programs, Alfred Malecki, Publisher, Business Insurance, presents the EBC Awards on August 4th.

Case Study Sessions

Informal workshops will be presented as concurrents giving you the opportunity to attend all sessions.

Total Benefits Communication
Bell Atlantic Enterprises' communication program, "A Wave in Benefits," is a 1985 award winning example of a total communication effort, effectively communicating the full range of benefits. Mr. Olsen will review the program, including such aspects as management objectives, budgetary considerations and strategies.

Print & AV Go Hand In Hand
This session will focus on how *Colgate-Palmolive* combined audio-visual and unique print to build a 1985 EBC award winning communications program, "More Financial Power." They chose a marketing approach to introduce a new 401(k) feature to their employee savings plan, by using identifiable packaging and slogans. Mr. DiStefano and Ms. Kekich will explain why *Colgate* chose this approach and will give an overview of the components of the program.

Computer Communications Workshops
The Computer Communications panelists, along with their consultant or marketing firm, will provide personal computers so that attendees may have an unprecedented opportunity to experiment with these communications vehicles.

Changing Environment Offers New Choices

Come to the BI Conference ... listen, learn and contribute. The choice is yours!

August 4 and 5
The Marriott Marquis Hotel, New York City

PEAKERS • SPEAKERS • REGISTRATION INFO • REGISTRATION INFO

Peter O'Donnell
 Director, Employee Benefits
 RCA CORPORATION
 Panelist, *Computer Communications*
Case Study: Computer Communications
 in conjunction with Johnson & Higgins

Don Olsen
 Manager, Benefit Plans
 BELL ATLANTIC ENTERPRISES CORPORATION
Case Study: Total Benefits Communication

Frank Pirrone
 Assistant Vice President
 JOHNSON & HIGGINS
Case Study: Computer Communications
 in conjunction with RCA Corporation

Steve Ramsey
 Communications Consultant
 HEWITT ASSOCIATES
Case Study: Computer Communications
 in conjunction with NCR Corporation

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

The BI Conference opens Sunday, August 3, with registration check-in and a cocktail reception from 5-7pm. Sessions begin Monday, August 4 at 8:30am. The conference adjourns Tuesday, August 5 at 3:45pm. The cost is \$625. A 10% discount is offered to additional registrants from the same company. The fee includes sessions, workbook, and educational materials, and scheduled functions.

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

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

HOTEL ACCOMMODATIONS
 We have set aside a block of rooms at a special \$125 room rate at the new Marriott Marquis Hotel in New York City. These rates are available to Conference Registrants only, and will be honored until July 14. You must mention the *Business Insurance Benefits Conference* when making your reservations. Hotel cards will be included with your Conference Registration Confirmation. Or call the Marriott Marquis Hotel at (212)704-8700; or toll free at (800)228-9290.

Awards Luncheon
 The EBC Awards Presentation Luncheon will be held on Monday, August 4th. A luncheon ticket is included with your Conference registration. A limited number of additional seats are available. Tickets are \$60 each, available on a first come-first serve basis; **reservations required.** Contact Registrar.

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Task Force Sessions
 In an all new format, this session provides a challenging forum for attendees. You can select employer specific task force units to discuss and evaluate proposed communications problems, and then present your findings to all. Use the registration form to pre-select one of these communication issues:

- Communicate plan changes from first-dollar medical coverage to co-payment with deductible.
- Improve participation in a two-year old 401(k) program.
- Introduce a flexible employee benefits program.
- Induce part of your employee population to take early retirement.
- Update a long standing, but not very effective communications program.
- Design a communications program for top level executives only.

Pre-Retirement Counseling Programs: New Approaches
 Rather than designing a pre-retirement counseling program, Mr. Esteban proposes that 'retirement planning education' be presented as a "life planning" vehicle built into a company's total benefits package. He suggests that employee groups be broken down by age periods and that the design of such programs fit the specific needs of each group.

You Be The Judge
 Mr. Zeltner returns to the BI Conference to lead attendees in an energetic session. He will introduce selected audio-visual programs submitted to the EBC Competition, offering insight as to what other industry professionals are doing in this medium.

BI 7/21

Please register me for the 1986 BI Conference
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Update a long standing, but not very effective communications program.

Design a communications program for top level executives only.

*The size of each session is limited, each Task Force will be filled on a first-come, first-serve basis

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Claims facility

Continued from page 1

"We still haven't seen any inklings of alternative dispute resolution or any willingness to discuss cases—except those on the eve of trial," says plaintiffs' attorney Stanley Levy, with the New York firm of Levy, Phillips & Konigsberg.

"We're not seeing any early dispositions or willingness to even talk about cases. It is impossible in most jurisdictions to talk with a Wellington claims person even if they exist, and you must talk to a trial counsel first," he adds.

"There is a vast difference between what they intended and what they said was intended," contends plaintiffs' attorney Danny Cupit.

"Wellington has been piddling around for the past year," he adds. "They've done absolutely nothing to resolve the backlog of cases." Instead, he says, the facility wants to control defense costs, hold on to the money longer and reduce pressure on its individual members to settle cases.

Facility officials, however, vigorously dispute these charges. They maintain that many cases have been settled before trial and that an ADR mechanism is a high priority.

"At this stage, the facility is viewing itself as a long-term partic-

ipant in the asbestos problem," says Wade H. Coleman, chief executive officer of the facility. "Alternative dispute resolution is a very important part of that."

Facility spokesmen emphasize that they have spent a significant amount of time discussing an ADR structure and procedures with plaintiffs' attorneys in a number of meetings.

"ADR has always been a priority," says Scott Gilbert, a principal architect of the agreement with the Washington firm of Covington & Burling. "We have done an immense amount of work on it."

The facility has met with plaintiffs' attorneys, reviewed materials the plaintiffs submitted on an ADR mechanism and prepared material on how an ADR mechanism should work for internal review, Mr. Gilbert says. The ADR procedure now must be finalized and recommended to the board of directors, he added.

Mr. Coleman predicted the ADR mechanism will be in place in six months.

However, plaintiffs characterize meetings over an ADR mechanism as having broken down. "They've stopped," Mr. Levy says.

Mr. Cupit said that there were so many preconditions to participating in the procedures such as no consideration of punitive damages, no consideration of future mental

distress and payment for only present physical impairment, that it was futile to proceed when plaintiffs could recover for such conditions in the courts.

"They've been terminated simply because we felt we were getting nowhere with them," Mr. Cupit says.

"They didn't break off," counters Mr. Shea of Aetna.

To break the stalemate, Professor Wellington suggests that the facility and plaintiffs' attorneys hire a neutral third party who could make suggestions and break log-jams. "It really would be advantageous," he said.

"I'm a little disappointed," he added, concerning the development of ADR. "The ADR I envisioned that would be worked out with claimants' lawyers hasn't moved very far."

Facility members say other tasks have had to be accomplished before an ADR mechanism could be created. These included obtaining adequate staff for the facility, setting up a data processing system, educating the defense attorneys about the facility and its many members, and handling cases approaching trial.

While Mr. Coleman was named as chief executive officer last summer soon after the agreement was signed, it wasn't until April 1 that the facility announced senior staff and officers had been hired, including vice presidents of law, claims and systems, a comptroller-treasurer, and directors of the East Coast and West Coast claims offices.

Today, the East Coast facility, including Wellington headquarters, employs more than 85 persons. The West Coast office is still filling positions.

Citing the tremendous backlog of cases pending when the facility was established, Mr. Shea of Aetna said the facility could not just open its doors and settle cases as they started to come in.

Instead, a claims handling committee was formed that had to give its attention to cases that were reaching trial.

"We had so many thousands on the courthouse steps, claims-handling couldn't get much beyond them," Mr. Shea adds. "Obviously, that's where the pressure is."

Mr. Shea also maintains that "we have settled a great number of cases other than on the eve of trial." And, he says, with a fuller staff, dockets will be put under control and the facility will give more attention to cases in earlier stages of litigation.

While the goal of an ADR mechanism remains unfulfilled, the facility has dispensed with more cases than its members alone did in the past.

Settling 4,000 cases is "an astounding number," according to attorney Mr. Gilbert. "It's more than anyone could have legitimately expected."

"Our record speaks for itself," says Mr. Coleman. "The plaintiffs' bar has reacted favorably to facility existence. We've entered into a greater volume of settlements than any comparable time period in the past."

Wellington spokesmen, however, will not release details on how much money has been paid in indemnity to plaintiffs, although it is estimated to be in the hundreds of millions of dollars.

In addition, the facility will not release details of how many cases the facility has tried, won and lost, although Mr. Coleman says the results have been "very favorable."

But some critics contend that the facility alone did not increase the

"Wellington has been piddling around for the past year," says attorney Danny Cupit.

number of settlements.

More cases have been settled because more cases are approaching trial, such as has occurred in Connecticut, says plaintiffs' attorney Mr. Levy.

Some defendants concede there is truth to this, and cite additional pressure to make settlements.

Some states, for example, set deadlines on when a case must go to trial, a general counsel for one company said.

But, while the facility defends itself against charges that it has dragged out settlements, it also has to contend with criticism that it may be settling too many cases.

A recent settlement concluded by Wellington with 750 members of a class action in Texas for \$93 million included plaintiffs without injuries, says Vern H. Talcott, general counsel of Louisiana-Pacific Corp., the parent company of asbestos producer Fibreboard Corp. and a member of the facility.

"We think only those who can demonstrate true injury should be paid," he says, and not those who have been exposed to asbestos and worry about future consequences. "There were a good many that were not dysfunction cases," he explains.

The facility is, however, saving defense and legal costs for its producer and insurer members.

It has reduced the number of law firms defending members to about 61 from as many as 1,100.

Defense costs have been "significantly less" since the signing of the agreement, says Otis Hess, senior vp at Fireman's Fund Insurance Cos., estimating the insurer's savings at \$10 million to \$20 million.

Continental Insurance Co. has cut costs 50%, saving at least \$1 million or more, says Vp Edward T. Harris, who also is a member of the Wellington board of directors.

Reducing defense costs is important not only to insurers but also to their asbestos producer/policyholders. Primary insurance coverage, which covers defense costs outside of policy limits, is being exhausted. Many of the excess insurance policies that will be tapped next charge defense costs against policy limits.

Reducing defense costs was a major goal of the facility, Professor Wellington says today.

"The more you reduce defense costs, the more there is for indemnity and thus the more there is for future claimants. They are the principal beneficiaries of the whole process."

"The centrally important thing is to preserve indemnity dollars and not blow them on defense," Professor Wellington said.

Defense costs are saved not only by reducing the number of defense attorneys but also by coordinating the defense.

The facility has improved the administration of the defense for all members, says James Hipolit, general counsel for producer AC&S.

Even plaintiffs' attorneys acknowledge some benefit due to the reduction of the number of defense firms with which they have to deal.

"The one positive thing, is that it is easier administratively to deal with one law firm, and that's worth something," says plaintiffs' attorney Robert R. Hatten with the firm of Patten, Wornom & Watkins in Newport News, Va.

"I think there has been a reduction in expenses and the amount of time," says plaintiffs' attorney Bill Rutzick, with the Seattle firm of

Schroeter, Goldmark & Bender. "It's just easier."

There also have been savings for both producers and insurers in the facility through the settlement of declaratory judgment actions over coverage for asbestos bodily injury claims fostered by the Wellington agreement.

However, these savings have not been as significant because the agreement only settles coverage disputes for bodily injury claims and not those involving coverage for the costs of removing asbestos from public and private buildings.

Also, producers and insurers must still litigate coverage over bodily injury claims with those companies that have not joined Wellington.

"We've reduced but certainly have not eliminated expenses in the coverage litigation," says Mr. Shea of Aetna.

Producers and insurers have been unable to agree on how coverage in property damage cases should be resolved.

However, the settling of some insurance coverage litigation has fostered "a more cooperative spirit" between insurers and policyholders, Mr. Hipolit observes.

The facility also is under legal attack from one plaintiffs' attorney who filed suit last fall in U.S. District Court for the Northern District of Ohio charging that the facility violates federal anti-trust laws.

The litigation, brought by Robert E. Sweeney in Cleveland, was stayed pending a report from a special master appointed by the court to analyze the facility's activities.

Finally, spokesmen for the facility play down the fact that the number of member producers and insurers remains at 50, despite optimism expressed last year that more would join once the facility was functioning.

Mr. Coleman says that the facility has the "critical mass" needed, and that "it is not out of the realm of possibility" the facility will see one or more additional producers or insurers join.

"I would not characterize it as a disappointment," that others have not joined, he said.

However, at least one other facility member—Mr. Hipolit of AC&S—said he is disappointed that other insurers have not joined the facility.

And Professor Wellington commented: "I am sorry other insurers and producers have not subscribed."

Many members praise the facility's progress to date and say they are optimistic it will achieve its goals.

"It has moved a little more slowly than many of us would have hoped," said Mr. Hipolit of AC&S. "But that probably isn't a great surprise given the magnitude of the undertaking."

"I am still optimistic that all the objectives can be reasonably achieved," he added.

"I think they have done a remarkable job to come as far as they have," commented Mr. Talcott of Louisiana-Pacific.

"It definitely is getting better," observed Keene Corp. vp and general counsel Howard A. Mileaf.

"Some cases have been handled much more poorly than before, some better and some the same," he said.

But, he says, he is "hopeful" for the future. "I think we've got a ways to go."

One judge who is presiding over asbestos litigation, however, says he sees little difference in the handling of asbestos cases since the facility was created.

"I've been surprised that even with Wellington, it pretty much has been business as usual," said Richard B. Klein of the Philadelphia Court of Common Pleas.

"In the short run, there's been very little difference. There are pluses and minuses but nothing much has changed."

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Assessments of industry crisis vary according to the observer

By LEONARD M. WILSON
Special to Business Insurance

A RECENT INVESTMENT conference on the insurance industry brought together analysts and portfolio managers to hear the views of insurance company executives, regulators and insurance lawyers.

The public insurance brokers were not represented, but the wide-ranging panel discussions on the property/casualty industry were relevant to the brokers' prospects. The outlook for premium rates, regulatory and legislative attitudes and underwriting profitability was among topics that received attention.

Interestingly, though, the program participants appeared to harbor quite different assessments of the industry's tribulations. The speakers, while sharing a common interest in a healthy property/casualty industry, seemed to occupy opposing positions. Moreover, they did not appear to be listening to each other.

Insurance executives saw runaway tort awards as a culprit needing to be curbed.

Regulators occupied a kind of middle ground, both heaping blame on the underwriters for irresponsible competition and pricing, while at the same time staking out a position for modifications in tort laws.

Tort lawyers saw the problem in the simplistic vein of underwriting mismanagement. Underwriters were unjustifiably shifting the onus on to victims seeking compensation under a workable, if imperfect, tort system.

None of the participants openly admitted insurance pricing must be highly volatile when interest rates fluctuate dramatically.

From this variety of viewpoints, it was nonetheless impossible to extract a coherent sense of current trends in the industry.

In the realm of premium rates on commercial lines, it seemed that a deceleration in rate increases was at hand. One speaker calculated that a combined ratio of 105% to 110%

Leonard M. Wilson, a special limited partner at L.F. Rothschild, Unterberg, Towbin in New York, specializes in insurance brokerage stocks. He is a member of the New York Society of Security Analysts.



Mr. Wilson

with the present structure of interest rates would allow a typical commercial insurer to earn 15% to 20% on shareholder equity.

Although combined ratios for most companies are still above this level, rate increases—either in place or likely to be implemented over the next 12 months—eventually could produce this quite satisfactory return on capital.

Reinsurance rates are still tight. Property rates, though, are leveling, while liability coverages still are experiencing higher prices.

Reinsurers also are seeking contractual language that would incorporate "sunset" clauses to limit the length of the tail in liability lines.

There is an inherent limit on reinsurer profitability, however. If reinsurers' return on capital becomes excessive, primary insurers will begin to raise their retentions. For now, though, retentions are higher due to tight capacity.

Newly formed mutual pools are a form of self-insurance responding to a cyclical capacity shortage. In one speaker's view, they will become permanent sources of insurance capital, remaining in place even when the cyclical shortfall in capacity abates.

On the subject of legislative reform, statutes have been enacted in many states. However, the seemingly onerous Florida legislation does not appear to be a pattern. Tort reform will not yet be comprehensive, but rather, was characterized as a bits-and-pieces approach.

Most speakers agreed that changes in tort reform would not immediately be reflected in premium rates to any material degree. Experience would be needed on loss trends under the new rules before a significant impact on rates could occur.

The insurance brokers and the dynamics of distribution were notably absent from discussion of industry trends. No one resurrected the chestnut that the volatility of premium rates could be placed at the doorsteps of brokers playing one underwriter against the other.

Listening to the conference participants, it could be concluded that the configuration of the cycle will not be altered much by changes in regulation and tort statute. By the end of 1987, premium rate adequacy can be expected in most commercial lines.

The insurance broker will not feel adversely the effects of tort reform or closer state regulation of premium rates in any material degree over the next several years.

Rather, they are likely to face a more competitive market, perhaps in 1988, due to the natural effect of better pricing that improves returns on insurance capital by then, and the concomitant greater capacity in commercial lines.

N.Y. Insurance Exchange

The New York Insurance Exchange posted an aggregate net loss of \$8.8 million during the first quarter of 1986, compared with an \$11.3 million loss during the first quarter of 1985.

The exchange's combined ratio, however, deteriorated to 155.1% in the first quarter from 144.3% during the comparable period last year. The 44 NYIE syndicates reported a 40.2% expense ratio and a 115% loss ratio in the first quarter. During last year's first quarter, 49 syndicates reported a 36.4% expense ratio and a 107.9% loss ratio.

Net premiums earned declined slightly to \$51.4 million in the first quarter of 1986 from \$51.9 million in the comparable period last year. Net premiums written decreased by 12.2% to \$47.2 million from \$53.8 million, while gross premiums written declined by 14.8% to \$68.6 million from \$80.6 million.

The exchange's policyholder surplus increased by 6.2% to \$184.1 million in the first quarter of 1986 from \$173.3 million in last year's first quarter.

"I think the results will be very good for the rest of the year," said Joseph Fahys, the exchange's president and chief executive officer. He noted a significant difference in the results between syndicates still active and the approximately 20% of syndicates that have stopped writing, either because they have reached premium limits or for other reasons.

For instance, active syndicates reported a 121.6% combined ratio in the first quarter, compared with 315.3% for inactive syndicates.

NWNL Re

NWNL Re has completed the sale of \$30 million in new common shares through a private placement arranged by Kidder, Peabody & Co. Inc. Proceeds from the sale will be used to increase NWNL Re's surplus.

"We are very pleased with this development because the new capital will allow us to take advantage of significant opportunities that have recently arisen in the reinsurance market. Our statutory capital and surplus now totals more than \$45 million, which places us among the top 25 professional property and casualty reinsurers in the U.S. market," said Leonard J. Meredith Jr., the company's president.

Despite the offering, Northwestern National Life Insurance Co. still retains a majority interest in the reinsurer, which writes both treaty and facultative reinsurance.

Brougher Insurance Group

Brougher Insurance Group Inc. of Greenwood, Ind., is making an initial public offering of 600,000 shares of common stock at a purchase price of \$15.25 per share.

The offering is managed by Prescott, Ball & Turben Inc.

Proceeds from the offering will be used to repay outstanding debt, acquire the company's principal executive offices and for general corporate purposes.

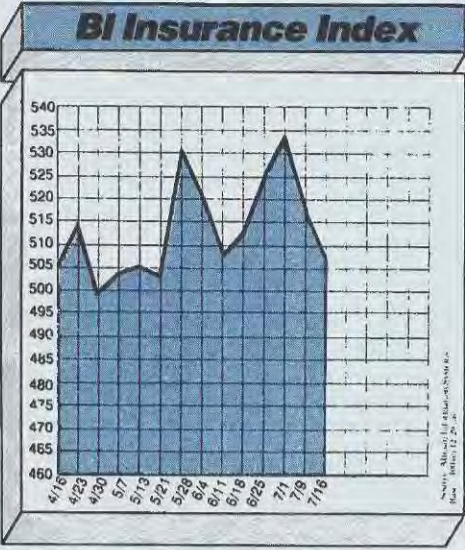
Brougher is an underwriting agency that specializes in medical stop-loss and group life insurance coverages.

Acceptance Insurance

Acceptance Insurance Holdings Inc. of Omaha, Neb., has announced an initial public offering of 1 million shares of common stock at a price of \$8 per share. The underwriter of the offering is Furman Selz Mager Dietz & Birney Inc.

A portion of the offering will be used to repay existing debt and to increase the surplus of insurance subsidiaries.

Acceptance primarily writes excess/surplus lines coverages in the Midwest and Sun Belt through Acceptance Insurance Co. and River City Underwriters Inc.



Insurance industry issues felt the effects of the stock market's continued downward spiral as the Business Insurance stock index fell 9.7 points during the five-day trading period ending July 16 to 509.3 from 519.0 on July 9. Forty issues declined during the period, while only 12 stocks advanced and eight remained unchanged. The largest gains were reported by Tokio Marine & Fire Insurance Ltd., up 9.7%; Corroon & Black Corp., up 3.2%; Great West Life Assurance Co., up 2.4%; Statesman Group Inc., up 2.3%; and Poe & Associates Inc., up 2.0%. The largest declines were tallied by Liberty Corp., down 7.9%; Fairmont Financial Inc., down 7.3%; Provident Life & Accident Insurance Co., down 6.4%; Nobel Insurance Ltd., down 6.1%; and Kansas City Life Insurance Co., down 6.4%. The Business Insurance index declined 1.9% during the period, which was a smaller drop than that reported by the major stock market averages. The Standard & Poor's 500 average fell 3.2%, while both the New York Stock Exchange composite and the Dow Jones 30 Industrials average dropped 2.8% during the period.

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Gdn Royal Exch	902	17.3	46.5	5.2	910-890
Royal	847	14.1	40.8	4.8	862-842
Sun Alliance	705	23.5	28.2	4.0	727-705

Brokers	Price	P/E	Div. pence	Yield %	High-Low
CE Heath	529	8.0	39.4	7.5	530-515
Hogg Robinson	310	10.7	15.5	5.2	310-292
JH Minet	248	9.5	14.1	5.7	248-242
Sedg Grp	345	13.3	19.0	5.5	345-330
Stew Wrightson	448	14.2	19.0	4.2	448-405
Willis Faber	420	15.6	16.2	3.9	420-408

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

July 16, 1986 7/10/86 thru 7/16/86

Brokers	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)	
Alexander & Alexander Svcs	NYSE	38.00	-3.5	0.4	1.00	2.6	39.50	38.00	570.7
Baldwin & Lyons Inc	OTC	24.50	-10.9	61.2	0.16	0.7	27.50	24.50	0.5
Corroon & Black Corp	NYSE	40.00	3.2	21.4	0.65	1.6	40.00	38.88	171.9
Crap E H Cos Inc	OTC	28.25	0.9	23.9	0.25	0.9	28.75	28.25	143.3
Gallagher Arthur J & Co	OTC	26.00	1.0	22.4	0.20	0.8	26.00	25.00	46.6
Hall Frank B & Co Inc	NYSE	24.13	1.0	0.0	0.00	0.0	24.50	24.00	438.6
Marsh & McLennan Cos Inc	NYSE	59.88	-0.2	23.8	1.50	2.5	61.00	59.63	588.8
Poe & Assoc Inc	OTC	12.50	2.0	0.0	0.53	4.3	12.50	12.25	32.4
AGENTS/BROKERS	AVERAGE		2.7		1.7				

Conglomerates & Holding Cos.	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)	
American Express(Fireman's Fd)	NYSE	57.88	-1.9	13.5	1.36	2.3	60.63	57.88	3,772.0
Anderson Clayton(Ranger/PanAm)	NYSE	55.88	-5.3	31.9	0.00	0.0	0.00	0.00	0.0
Amco Inc	NYSE	7.88	-1.6	0.0	0.00	0.0	8.50	7.75*	1,557.7
Berkley W R Corp	OTC	34.00	-4.9	26.4	0.24	0.7	35.75	34.00	145.4
CIGNA Corp	NYSE	62.75	1.2	0.0	2.60	4.1	62.75	62.00	1,049.9
Chf Finl Corp (CNA)	NYSE	57.13	-5.2	18.0	0.00	0.0	58.25	57.00	148.2
General Re Corp	NYSE	59.50	-1.0	36.7	0.88	1.5	60.38	58.75	837.0
ITT (Hartford Group)	NYSE	53.00	-3.2	28.8	1.00	1.9	56.43	53.00	5,050.7
Sears Roebuck & Co. (Allstate)	NYSE	42.13	-4.3	12.2	1.76	4.2	43.88	42.13	4,135.1
Teledyne Inc (Argonaut)	NYSE	314.00	-4.8	11.5	0.00	0.0	327.50	314.00	200.3
Transamerica Corp (Occidental)	NYSE	35.50	-1.4	17.0	1.68	4.7	36.75	35.50	572.6
CONGLOMERATES/HOLDING COS.	AVERAGE		22.4		1.2				

Insurers	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)	
Aetna Life & Cas Co	NYSE	58.50	-0.8	12.9	2.64	4.5	59.50	58.50	982.0
American General Corp	NYSE	41.13	-1.8	12.5	1.12	2.7	42.25	40.25	1,123.0
Ameri Heritage Life Invt Co	NYSE	41.50	-1.8	15.3	1.32	3.2	42.13	41.50	1.5
American Indty Finl Corp	OTC	19.75	0.6	0.0	1.12	5.7	19.75	19.50	17.5
American Intl Group Inc	NYSE	122.88	-3.1	22.9	0.44	0.4	125.75	121.00	542.2
Aneco Reins Ltd	OTC	2.25	0.0	0.0	0.00	0.0	2.25	2.25	3.4
Aveco Corp	NYSE	26.00	-3.7	14.4	0.50	1.9	27.50	26.00	9.6
Business Mens Assurn Co Amer	OTC	27.75	-2.6	16.7	1.10	4.0	28.25	27.75	71.1
Chubb Corp	NYSE	68.63	0.2	134.6	1.56	2.3	69.75	68.00	520.9
Combined Intl Corp	NYSE	56.25	-4.3	11.3	2.24	4.0	59.00	56.25	176.6

Continental Corp	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)	
Continental Corp	NYSE	44.63	-3.8	0.0	2.60	5.8	46.50	44.63	502.5
Crown Life Ins Co	OTC	350.00	0.0	3.5	0.00	0.0	350.00	350.00	0.5
Durham Corp	OTC	46.00	-1.1	12.4	1.36	3.0	46.25	45.50	2.2
Farmers Group Inc	OTC	41.00	-1.8	14.7	1.00	2.4	41.75	40.38	466.2
Fairmont Finl Inc	APEX	17.38	-7.3	21.7	0.00	0.0	18.88	17.38*	98.4
Fireman Fd Corp	NYSE	35.00	0.0	0.4	0.30	0.9	36.63	34.75	740.0
Fremont Gen Corp	OTC	26.25	-3.2	0.0	0.48	1.8	27.38	25.75	164.0
Great West Life Assurn Co	OTC	850.00	2.4	8.5	18.00	2.1	850.00	840.00	0.3
Home Group Inc	ANEX	25.25	-3.8	54.9	0.00	0.0	26.38	25.25	282.4
Hanover Ins Co	OTC	59.00	-2.9	31.6	0.56	0.9	60.50	59.00	52.7
Hartford Steam Boiler Inspn	OTC	97.00	-1.8	15.4	2.40	2.5	98.50	97.00	16.3
Kans City Life Ins	OTC	33.00	-6.4	13.0	0.87	2.6	34.75	33.00	12.3
Kepper Corp	OTC	30.75	-2.4	16.3	0.60	2.0	31.25	30.13	670.1
Liberty Corp S C	NYSE	39.25	-7.9	16.6	0.72	1.8	42.50	39.25	55.2
Lincoln Natl Corp Ind	NYSE	50.00	-2.7	11.3	2.00	4.0	52.50	50.00	472.1
Mission Ins Group Inc	PAC	3.13	0.0	0.0	0.00	0.0	4.38	2.88	960.0
Monumental Corp	OTC	54.50	0.0	19.4	1.40	2.6	54.50	54.50	46.3
Nac Re Corp	OTC	35.50	-4.1	0.0	0.00	0.0	37.50	35.00	95.2
Nobel Ins Ltd	OTC	15.50	-6.1	20.4	0.25	1.6	16.50	15.50	97.7
Northwestern Natl Life Ins	OTC	30.00	-2.0	13.2	0.86	2.9	30.13	30.00	364.2
Ohio Cas Corp	OTC	80.63	-2.3	18.7	3.00	3.7	82.50	79.75	111.5
Old Rep Intl Corp	OTC	34.13	-4.9	12.5	0.78	2.3	35.13	34.13*	131.0
Orion Cap Corp	NYSE	35.25	-1.4	0.0	0.76	2.2	36.25	35.25	98.3
Protective Corp	OTC	23.00	-1.1	12.6	0.70	3.0	23.38	22.50	214.1
Provident Life & Acc Ins Co	OTC	27.25	-6.4	9.5	0.84	3.1	28.50	27.00	285.0
SA Paul Cos Inc	OTC	42.00	-4.0	25.5	1.50	3.6	44.25	41.25	672.9
SAFE Corp	OTC	54.38	-5.4	14.7	1.68	3.1	56.13	54.38	329.9
Srl Corp	OTC	21.25	-3.4	0.0	0.80	3.8	21.50	20.75	56.9
Selbel's Bruce Group Inc	OTC	18.25	0.0	0.0	0.80	4.4	18.25	18.00*	36.9
Statesman Group Inc	OTC	5.63	2.3	40.2	0.05	0.9	6.00	5.50	151.8
Tokio Marine & Fire Ins Co	OTC	443.50	9.7	83.5	1.05	0.2	447.50*	409.50	18.0
Torchmark Corp	NYSE	32.38	0.6	14.1	0.60	1.9	36.50*	32.38	609.1
Travelers Corp	NYSE	46.63	-4.4	11.8	2.16	4.6	48.00	46.50	2,190.3
Trenwick Group Inc	OTC	23.25	0.0	0.0	0.00	0.0	23.50	23.25	163.4
United Fire & Cas Co	OTC	26.25	-2.8	20.8	0.80	3.0	27.25	26.25	34.3
United States Fid & Gty Co	NYSE</								



Lifeline

It's simple—seat belts save lives! In fact, the CNA Insurance Companies believe so strongly in seat belts that we're putting our money on them with our unique Group Voluntary AD&D policy "Safe Driving Benefit Option."

Here's how it works. If an enrolled employee or family member is killed, suffers dismemberment or other insured loss while wearing a seat belt in a covered vehicle, CNA will pay the Safe Driving Benefit *in addition* to the regular benefit.

An important qualification is that the driver cannot be

intoxicated or under the influence of drugs at the time of the accident.

Available now, you can add our Safe Driving Benefit to your company's CNA Group Voluntary AD&D policy at no additional premium charge.

This new benefit demonstrates CNA's continuing commitment to our insureds' health and welfare. We urge you to take advantage of it for your employees and your company. Contact your CNA Special Risks representative for details.

CNA

For All the Commitments You Make®

Coverage is provided by Continental Casualty Company, one of the CNA Insurance Companies.