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Update

Three charged with stealing premiums from AIG affiliates

NEW YORK—Two former employees of American International Group Inc. affiliates and a brokerage official are charged with stealing $15.2 million in professional liability premiums from AIG affiliates.

The Manhattan District Attorney last week filed grand larceny charges against Richard Scholl, 36, a former underwriter with American International Underwriters Inc.; Salvatore DiTrapani, 43, a former underwriter with Trans-

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NCCI to shift focus to loss costs

By MEG FLETCHER

NEW YORK—The nation's largest workers compensation insurance rating organization is changing its primary focus to providing data on developed loss costs rather than fully developed advisory rates.

States adopting a "loss-cost" approach to workers compensation ratemaking—which is often used in states that have adopted competitive or open rating laws—force each insurer to independently calculate its own profits and underwriting expenses, rather than using advisory rates.

The National Council on Compensation Insurance previously focused on providing fully developed rates, which include allocations for insurer profits and underwriting expenses as well as the ultimate cost of losses.

"This decision marks a significant change in workers compensation ratemaking," said NCCI President William Hager.

While the NCCI is shifting its focus away from fully developed advisory rates to fully developed loss costs, the organization will continue to provide fully developed rates to those states that want them.

Currently, 23 states and the District of Columbia use fully developed NCCI advisory workers compensation rates, while about 14 states have legislatively or administratively adopted a loss-cost approach, the NCCI says. The remainder of the states use some other ratemaking approach or have monopolistic state workers compensation funds.

Proponents of the loss-cost approach contend that forcing insurers to factor their own expense and profit factors into final rates will lead to competition that will benefit policyholders.

However, the NCCI "continues to believe that going to loss costs will not result in lower system costs," Mr. Hager emphasized.

And, some insurance industry representatives say the move could increase workers comp insurance rates, since insurers will have to pay the cost of calculating their own expense and profit factors.

The NCCI, however, hopes that its action will help soothe some regulators and consumers who criticize fully developed advisory rates as a form of price fixing.

"It's a very positive move on the part of the NCCI's board and a big step in the right direction," said William McCartney, Nebraska insurance director and chairman of a National Assn. of Insurance Commissioners working group that issued a preliminary report last year urging a switch to a loss-cost approach to ratemaking (*BI*, Dec. 11, 1989).

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Subway fire insured

Coverage part of wrap-up program



AP/Wide World Photos

Firefighters try to douse a burning section of the Los Angeles Metro Rail project, which caught fire July 13.

By JOANNE WOJCIK

LOS ANGELES—The Los Angeles Metro Rail project has $75 million in builders risk insurance to respond to property damage claims from a fire last week that swept through a subway tunnel being dug downtown.

Damage to the tunnel is expected to total "in the $5 million and $6 million range," said Jerry Windom, claims manager for District Insurance Administrators, the claims handlers for the subway project.

DIA has established up to a $10 million reserve for the loss, he said.

Property insurance on the project is written under the builders risk portion of a wrap-up insurance program. Allianz Insurance Co. of Los Angeles, a unit of West German insurer Allianz A.G., provides builders risk limits of up to $75 million per occurrence excess of a $25,000 per-occurrence deductible, $5,000 of which is paid by the contractor.

In addition to damage to the tunnel, neighboring establishments may file business interruption claims, said Mr. Windom. Potential claimants include businesses in the area that may have lost customers when firefighters

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Worker safety intact at project despite blaze

By JOANNE WOJCIK

LOS ANGELES—The Los Angeles Metro Rail project has beat the odds: Not a single death or serious injury has occurred since ground was broken in September 1986.

"They say you kill a man a mile" during a tunneling project, yet not a single fatality has occurred along the subway's 4.4 mile path through downtown, said Byron Ishkanian, senior engineer for mining and tunnel safety at Cal/OSHA, the state's workplace safety agency.

"I consider this project the safest I've ever seen," despite the Friday the 13th fire that swept through a subway tunnel, he said (see related story). "The tunnel burned up, but not one person got a broken fingernail."

No workers were injured in the fire that raged for three days in a 750-foot section of a subway tunnel under construction below U.S. 101.

In comparison, the English Channel Tunnel Project has experienced nine fatalities in 21.6 miles of tunneling, and the Helms Creek, Calif., Hydroelectric Project, which con-

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AT&T unveils huge managed care plan

By JERRY GEISEL

NEW YORK—American Telephone & Telegraph Co.'s huge new national managed health care network unveiled last week will be closely watched by other employers concerned with rising health care costs.

The New York-based communications giant's network is far and away the largest established by an employer.

Within a year, about 100,000 non-management employees—members of the Communications Workers of America and the International Brotherhood of Electrical Workers—and their 225,000 dependents will have access to the network.

AT&T's program is more than twice the size of pioneering managed health care networks established by Allied-Signal Inc. of Morristown, N.J., and Southwestern Bell Corp. of St. Louis, and nearly double the size of a network now being organized by Pacific Telesis Group of San Francisco.

Operations are to begin in October in Atlanta; Oklahoma City; Minneapolis-St. Paul; and Columbia and Charleston, S.C. By July 1991, the program will be available in 23 metropolitan areas from coast to coast. AT&T also is studying whether it can expand the network into another dozen metropolitan areas, giving access to another 20,000 workers and their dependents.

Size isn't the only thing that sets the AT&T program apart.

The biggest difference between it and other national plans is that AT&T chose three insurers—Empire Blue Cross/Blue Shield of New York, Travelers Corp. of Hartford, Conn., and Prudential Insurance Co. of America in Newark, N.J.—to administer and manage its program. Other networks are managed by a single insurer nationwide.

Also, incentives for employees to use network providers are much smaller in the AT&T program than in other employers' national managed care networks.

However, like Allied-Signal and its network administrator, CIGNA Corp., AT&T and the three insurers will share risks and rewards.

The company and its insurers are to share in either cost overruns if per-employee health costs exceed target levels or savings if they come in below the goals. AT&T declined to disclose those targets and

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Update

Charges filed in alleged scam

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Atlantic Reinsurance Co. and Putnam Reinsurance Co., both AIG affiliates; and Roy Hatch, 42, president of International Reinsurance Brokers Corp., which operated through a New York post office box.

The criminal complaint charges that Mr. Scholl and Mr. DiTrapani issued lawyers and accountants professional liability reinsurance policies on business produced by London-based broker Minet International Professional Indemnity Ltd., instructing Minet to forward premiums to International Reinsurance Brokers.

The policies were not immediately reported, and Messrs. Scholl, DiTrapani and Hatch pocketed $15.2 million in premiums, the complaint alleges.

AIG discovered the alleged thefts after Mr. DiTrapani earlier this year started recording policies from 1986, 1987 and 1988, possibly in anticipation of claims related to work that the law and accounting firms had done for failed savings and loans, a source familiar with the case said.

Messrs. Hatch and DiTrapani will plead not guilty and fight extradition to New York from Pennsylvania and New Jersey, respectively, their lawyers said.

Mr. Scholl's lawyer was unavailable for comment.

All three face up to 25 years in prison if convicted.

They also face civil racketeering charges in a complaint filed by Transatlantic and Putnam.

IRS may restrict 401(k) loophole

WASHINGTON—Guidance the Internal Revenue Service says it will issue soon could restrict or even ban using 401(k) plan restructuring to pass non-discrimination tests, benefit consultants say.

Just weeks ago, consultants were trumpeting a provision buried in IRS pension non-discrimination rules that would let employers split 401(k) plans into separate components for testing purposes.

Through such restructuring, some plans would have more easily passed non-discrimination tests, and some highly paid employees could have contributed hundreds of dollars more (*BI*, July 9).

But consultants say government officials are having second thoughts and that restrictions are likely.

"The issue of restructuring is definitely being reconsidered by Treasury and IRS officials," said Frank McArdle, a Hewitt Associates consultant in Washington, D.C.

An IRS spokesman said only that guidance is expected soon.

Insurer held to cover argument

DETROIT—First State Insurance Co. cannot retract a pro-policyholder position it took in pollution coverage litigation with the liability insurers of The Upjohn Co., the Michigan Supreme Court has ruled.

First State and several Lloyd's of London syndicates, which wrote Upjohn's property coverage, successfully argued in litigation with Upjohn's liability insurers in the Michigan Court of Appeals in 1989 that the pollution exclusion in the standard comprehensive general liability policy does not bar coverage for gradual pollution.

First State and the Lloyd's syndicates had paid Upjohn a portion of the $7 million the company paid to clean up a polluted manufacturing site in Mountain View, Calif. Under their fiduciary duty to their reinsurers, the property insurers sued Upjohn's liability insurers for reimbursement (*BI*, June, 12, 1989; Sept. 18, 1989).

After accepting several policyholder briefs, the state high court on July 13 denied First State's request to retract statements that its parent, Hartford Accident & Indemnity Co., has called "an embarrassment."

In related actions, the Michigan Supreme Court agreed to review the state appeals court decision finding coverage in the Upjohn case and two other cases that pertain to insurance coverage for pollution.

Group units' liquidation sought

CHICAGO—Insurance regulators in Illinois and Ohio are seeking to liquidate two insurance units of The Group Inc., a Concord, Mass.-based holding company that earlier filed for bankruptcy reorganization.

The Illinois Insurance Department Thursday filed a liquidation petition against Millers National Insurance Co., charging Millers is insolvent by more than $2.5 million. Millers, which was licensed in 33 jurisdictions, has been operating under a conservation order since May 17.

Illinois Insurance Co., a Millers subsidiary, remains in conservation pending an audit and negotiations for possible sale to a third party, Illinois regulators said.

The Ohio Insurance Department, meanwhile, filed a petition last Monday to liquidate The Oil & Gas Insurance Co. of Westerville, Ohio, charging the insurer was insolvent by $27 million as of year-end 1989. OGICO has been in rehabilitation since May (*BI*, May 14).

Separately, an Oklahoma state court ordered Group subsidiary Petrosurance Casualty Co. of Tulsa into liquidation July 5.

The various liquidation actions follow a June 15 Chapter 11 bankruptcy filing by The Group—formerly known as Forum Re Group Inc.—and Forum Holdings U.S.A. Inc., an intermediate holding company.

A Group spokesman declined to comment on the liquidation petitions but said The Group's problems do not affect Forum Re Insurance Co. Ltd. of Bermuda, which is controlled by Group Chairman Mark Hardy.

Bosworth claim to hit Lloyd's

SEATTLE—Lloyd's of London syndicates may face a multimillion-dollar claim after the Seattle Seahawks last week released flamboyant and oft-injured linebacker Brian Bosworth for failing his physical.

Since joining the football team in 1987, Mr. Bosworth has been covered by a permanent disability policy, confirmed Alan Clements, a director of Windsor Insurance Brokers Ltd., the Lloyd's broker that placed the policy. Mr. Clements would say only that the claim would be less than the $7.3 million mentioned in reports. He added that a formal claim has not been filed.

Pro-Financial Services of Chicago is the U.S. broker.

The policy is led at Lloyd's by underwriter Colin Owen of syndicate 718, which is managed by Oxford Syndicate Management Ltd.

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Hospital costs decrease with length of stay: Study

By MARK A. HOFMANN

SANTA MONICA, Calif.—A new Rand Corp. study confirming that the cost of hospital care is generally twice as expensive during the initial days of a stay compared with succeeding days underscores the need for effective utilization management, benefits experts say.

Data gathered for the study of hospital costs for Medicare patients should make employers and insurers 'somewhat concerned" about the wisdom of paying the same per-diem rate at both the beginning and end of a stay, says one of the study's authors.

The most significant finding of the study is the existence of an "L-shaped pattern" in the cost of hospital care for patients in nearly all of the diagnosis-related groups examined by Rand, according to Grace M. Carter, a senior policy analyst at Santa Monica, Calif.-based Rand and co-author of the study, "How Services and Costs Vary by Day of Stay for Medicare Hospital Stays."

"In almost all DRGs, we found a very steep decline in average daily costs during the first part of the stay, followed by a much smaller variation in average daily costs during the remainder of the stay. In most DRGs, the first day of stay costs roughly twice as much as a day at the end of an exceptionally long stay," wrote Ms. Carter and study co-author Glenn A. Melnick, a Rand consultant.

"If one is willing to make the leap that the L-shaped curve exists for other payers (than Medicare), one might be somewhat concerned about using the the same per diem for every day of the stay," Ms. Carter said.

The study was commissioned by the Prospective Payment Assessment Commission, a federal governmental body that advises the executive and legislative branches on the Medicare payment system.

Medicare's payment system is based primarily on a patient's DRG, rather than on a per diem payment system.

For the study, Rand looked at 311,592 Medicare stays totaling approximately 2.75 million patient days. The sample represented all Medicare discharges from May 1, 1987, to April 30, 1988, at 105 hospitals across the country. According to the report, the sample is "most representative of urban hos-

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New Hampshire aims to cut litigation

State reforms comp law

By ADRIENNE C. LOCKE

CONCORD, N.H.—A workers compensation reform law in New Hampshire is designed to reduce rising costs primarily by reducing litigation.

The new law, known as Chapter 254, scraps the state's unusual de novo system for handling workers comp claim disputes.

Under the old law, approximately 2,000 claim decisions by the state Labor Department were challenged annually with an appeal for either a jury trial or bench trial in state Superior Court.

But, beginning Jan. 1, appeals will be heard by a soon-to-be-appointed Compensation Appeals Board consisting of attorneys and members of the public with workers comp experience.

Only the state Supreme Court will consider reviewing board decisions, and only on points of law.

In addition, Chapter 254 substantially increases civil penalties for insurers, self-insurers and medical providers for slow claims processing, effective Jan. 1.

The law also calls for a workers comp medical fees reimbursement schedule effective July 1, 1993.

The law also trims some workers comp benefits, but observers agree those reductions are insignificant.

The reform law was hammered out by a special task force consisting of employers, labor and insurers that Gov. Judd Gregg created in August 1989. Gov. Gregg signed the law April 28.

The new law is expected to help stabilize and perhaps even lead to reduced workers comp rates.

Workers comp rates have increased three times in the last two years: A 14.1% increase was effective in January 1989, a 1.3% was approved during the summer of 1989 and a 9.3% increase became effective July 1.

Excessive litigation in the workers comp system is blamed for a big portion of the rate hikes.

"Workers compensation is a system that was basically meant to be an administrative system," said

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Insolvent insurer sues broker for uncollectible reinsurance

By DOUGLAS McLEOD

NASHVILLE, Tenn.—The insolvent Cherokee Insurance Co. is suing reinsurance broker E.W. Blanch Co., charging that Blanch is responsible for $2.5 million in losses Cherokee has been unable to collect from five reinsurers.

In a lawsuit filed last month in a state court in Nashville, Cherokee alleges that Blanch negligently failed to determine the financial condition of the five reinsurers, three of which have since been declared insolvent.

The five reinsurers are Mission Insurance Co. and Transit Casualty Co., both in liquidation; Mutual Fire, Marine and Inland Insurance Co., which is in rehabilitation; and Universal Reinsurance Corp. and its parent, Northwestern National Insurance Co., both of which are running off their business. Universal Re and Northwestern National have not been declared insolvent.

Universal Re—which accounts for $1.3 million of the unrecovered balances—may be owed more than that amount by Cherokee on business Universal Re ceded to the defunct insurer, a lawyer for Cherokee admits.

Nonetheless, Cherokee says that it can maintain a damage claim against Blanch if Universal Re pays anything less than 100% of what it owes regardless of any offset Universal Re may claim.

If Universal Re pays 100% of Cherokee's claims, Cherokee would drop the Universal Re portion of its claims against Blanch, a lawyer for Cherokee said.

Cherokee's suit seeks $2.5 million in compensatory damages,

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- Rules governing participant-directed investments in defined contribution plans, originally proposed in 1987, are being withdrawn and redrafted by the Labor Department. **PAGE 53**
- Insurers may face more than $1 billion in claims from last Monday's massive earthquake and aftershocks in the Philippines. **PAGE 55**
- U.S. insurance regulators could be forced to make some changes under rules being considered in the current round of General Agreement on Tariffs and Trade negotiations, attendees of the International Insurance Society meeting in Paris are told. **PAGE 55**

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Risk management: systems and analysis

Risk managers say they love their computers. . .

By JUDY GREENWALD

NEW YORK—Risk managers have a love affair going with their computer systems.

The depth of the relationships may vary, but when asked how the machines help them with their jobs, risk managers invariably respond with unabashed enthusiasm.

"This is the best thing since sliced bread, or soft butter, or apple pie," said Kristin W. Davis, vp and risk manager at National Westminster Bank USA in New York.

"I don't know how people manage without really good information systems any more in this day and age," said Lucille Gallagher, vp-risk management for Monfort Inc., a meat processing firm in Greeley, Colo.

"I just can't imagine not having it. We use it for just about everything," said Margo Hickman, manager of risk and insurance at Household International Inc., a financial services company in Prospect Heights, Ill.

And Pierrete Ray, risk management officer for the city of Westminster, Colo., said, "I don't know, to be honest with you, what I would do if I didn't have my computer. I would probably just give up. It's one of the few things that has enabled me to keep up."

Why do risk managers find their computers indispensable? Most frequently, risk managers cite computers' value as a time-saver, including the machines' ability to put data at their fingertips within moments.

However, risk managers cited other, often overlapping, benefits provided by their risk management information systems, including their ability to:

- Organize information for the risk manager to present to underwriters and brokers.
- Help the risk manager obtain a better and more immediate grasp of their organization's exposures through the use of computerized loss forecasting and analysis.
- Act as an educational and communication tool that helps describe a risk management program to the company's senior managers.

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Diane McKnight

. . .But struggle to find RMIS software they like

By JUDY GREENWALD

Many risk managers say they have been frustrated in their efforts to find adequate risk management information system software, leading some companies to instead design their own.

These risk managers say existing software is too narrowly focused on claims management functions and fails to reflect the wide range of other activities that risk management demands.

As a result, some risk managers have concluded that the only way to find software flexible enough to meet their needs is to develop it themselves.

These home-grown risk management software packages are often supplemented by general business software packages like Lotus 1-2-3, a best-selling spreadsheet program.

"Why should we squeeze claims information into their prepared categories when we know enough about our needs to design our own, without a whole lot of hassle?" asked Laura Markos, director of risk management for Los Angeles-based Avery Corp., which has developed its own risk management software.

"We have never bought a canned software package from anybody within the risk management industry," she said.

Ms. Markos said her firm's risk management information system is expandable and adaptable, as Avery's needs change.

For instance, she said, claims information can readily be factored into the company's own format.

Some risk managers, though, believe the risk management software that is available from commercial vendors is adequate for their needs.

And software vendors say they offer software packages flexible enough to meet risk managers' diverse needs. RMIS vendors also say there are several advantages to buying a program developed by an outsider that cannot be found by developing the software in-house.

Among them, vendors say, is the experience and broader perspective

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The risk manager's many new hats

By JOANNE WOJCIK

'Buyers' becoming 'internal consultants'

Risk managers now do exactly that—actively manage an organization's risks, not just buy its insurance.

And the risk managers of tomorrow will face additional responsibilities, risk management experts say.

Risk mangers have come a long way from the 1960s and 1970s when, as staff members in corporate finance departments, risk managers were primarily insurance buyers.

When the commercial insurance market hardened in the late 1970s and again in the mid-1980s, they moved beyond that role, becoming "capacity creators" by forming alternative risk financing vehicles, such as self-insurance programs and captives.

In fact, many risk managers in charge of large self-insurance programs now act as chief executives for mini-insurance companies, risk management experts point out.

And the increasing focus on environmental issues, such as coastal oil spills and global warming, is forcing today's risk manager not only to find ways to finance potential losses, but also to develop comprehensive loss control programs to prevent them in the first place.

In addition to taking on more responsibilities, risk managers also are receiving more recognition within companies: The cost of risk is being factored into overall business expenses, much like labor and materials, and the risk manager is moving up the corporate ladder and is now consulted before companies undertake risky ventures like mergers or new product releases.

This evolution will leave the risk manager of tomorrow wearing numerous hats, observers add. He or she will be:

- A financier, heading insurance company subsidiaries.
- A legal adviser, reviewing contracts for potential risks and keeping abreast of court decisions and legislative changes that could affect his company.
- A loss control expert, implementing safety programs.
- An administrator, combining internal expertise with that of outside consultants.
- A communicator, conveying the importance of these functions at all levels of an organization.

"Risk management is coming back into general management, which is where it should be," said George Head, vp of the Insurance Institute of America Inc. in Malvern, Pa., and author of numerous risk management textbooks.

"The risk manager of the future will be a complete business manager," says Michael Vogler, director of risk management-international for Coopers & Lybrand in Atlanta.

Like the legal department that is consulted on questions of law, the risk management department will be tapped for advice on mergers and acquisitions, environmental issues and new product releases, said Georges Balcer, director of risk management at Stone Container Corp. in Chicago.

"Before, you had to know a little bit about everything. But now, you have to know a little more," he said.

Former risk manager Alan Troop, now president Risk Management Inc., a unit of Jardine Insurance Brokers Inc. in Los Angeles, agreed: "In the old days, we used to buy fire insurance, some liability. But now there are contract problems—things that have nothing to do with insurance at all."

The corporate risk manager has become "an internal consultant on the risks of doing business," he said.

And that role "is expanding, especially as the United States becomes more of an information society and less of a manufacturing society," observed Fred Kist, a consultant with Coopers & Lybrand's casualty, actuarial and risk management practice in Atlanta.

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Risk managers

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Bill O'Connell, national director of the business insurance consulting group for Deloitte & Touche in Dallas, summed it up this way: "Today's risk manager is no longer the pot-bellied 30-year-old insurance manager who filled out a claim form every time there was an accident in the parking lot." Today's risk manager "is more of an administrator. He manages a lot of different specialties," he said.

Among the issues that brought risk managers into the limelight are the last hard market, increasing workers compensation costs and the environmental movement.

Mr. Troop noted that "1,000% premium hikes get everybody's attention." Risk managers "have finally gotten through to management that this is a serious financial matter that has to be dealt with."

"Before, it was like a fly buzzing around in the ear" of corporate management, said Carol Foster, treasury manager at California Steel Industries Inc. in Fontana, Calif., and former president of the Inland Empire Chapter of the Risk & Insurance Management Society. "They'd say, 'just take care of it, don't tell me about it.' Now, they pay more attention," she said.

A risk manager involved in developing alternative financing programs "gets visibility, because it's the company's money," said Michael Murphy, principal of Risk Consultants Inc. in Denver.

"When insurance markets get hard, insurance becomes a more painful subject and it gets the attention of senior management," agreed Mr. Head.

"Not only was the hard market a driving factor, but so are climbing workers compensation rates," said Mr. Kist of Coopers & Lybrand.

Increased environmental awareness also has helped put risk management in the spotlight.

"You could call it 'the greening of risk management,' " quipped Jack P. Gibson, president of the International Risk Management Institute Inc. in Dallas.

The environmental movement is "the biggest single movement that has affected risk management," said H. Felix Kloman, a principal at Tillinghast, a division of Towers, Perrin, Forster & Crosby Inc. in Stamford, Conn.

'Today's risk manager is no longer the pot-bellied 30-year-old insurance manager who filled out a claim form every time there was an accident in the parking lot,' says Bill O'Connell of Deloitte & Touche's business insurance consulting group.

"Society is more risk-conscious than ever before," Mr. Kloman wrote in "Reshaping the Discipline: Risk Management Agonists," an article in a recent issue of Risk Management magazine, published by the Risk & Insurance Management Society Inc.

"Witness the public response to three recent incidents: The discovery of a few Chilean grapes tainted with cyanide in March 1989. . .the 1989 announcement that alar could be a carcinogen. . .and the salmonella scare from eggs in England," he wrote.

"The challenge of the next decade will be to learn how to live with uncertainty and to develop a means of managing our lives and organizations so that risk can become an acceptable stimulus rather than an unacceptable threat," Mr. Kloman wrote.

The increased attention to risk management, brought on by the last hard market, is likely to continue as the types of exposures companies face continue to evolve, observers say.

For example, "public pressure and the court system will get risk managers more involved in the environmental movement," predicted Mr. Vogler of Coopers & Lybrand.

And new technology always creates new risks, said Valerie Oberpriller, corporate risk and insurance manager at AECOM Technology Corp. in Los Angeles, formerly Ashland Technologies Corp.

"Not long ago we never heard of computers, much less that they can catch viruses," she said.

Mr. O'Connell of Deloitte & Touche agreed: "Today's inventions will prove to be problems later."

Democratic movements in Eastern Europe and the removal of trade barriers within the European Community in 1992 also will present new challenges, according to Stone Container's Mr. Balcer.

"Because of the globalization of many of our companies, we must adapt to different local practices," he said. "Language would be one barrier. Should you force them to talk your language or hire a translator?"

And, as companies move into developing countries, "some exposures may not be insurable, such as confiscation," added Mr. Gibson of IRMI.

In the 1990s, "alternative risk financing will be the whole ball game," Mr. Murphy forecasts. "Risk managers will need to know statutory accounting, insurance regulations, etc."

"We've had new kinds of liability—products, pollution—and we're beginning to see the emergence of employment-related exposures in terms of discrimination, wrongful dismissal, questions about the equity of employee benefit plans," observed the Insurance Institute of America's Mr. Head.

And, "as we educate employees more" about workplace hazards, "injuries will shift from cumulative trauma to long-latent illnesses, such as those from chemical exposures," said Fred Gillette, executive director of Xordium Inc., a loss control consultant in Garden Grove, Calif.

Increased awareness of their contribution to an organization may lead to promotions for risk managers who play their cards right, some observers say.

"The hard market gave the risk manager a foot in the door to higher management," said Ted Jones, director of administration for Van Nuys, Calif.-based Sunkist Growers Inc. and president of the Los Angeles Chapter of RIMS.

With a "broader view of corporate operations" than other managers, risk managers are ideal candidates for chief executive officer, according to Mr. Troop.

And risk managers could move up the corporate ladder if companies create senior environmental management positions, suggested Mr. Balcer.

"Risk managers are qualifying themselves to take chief financial officer and chief operating officer slots," said Mr. Head, who said it would be beneficial if all top managers were familiar with risk management. "Every business activity involves some loss exposures."

To be among the fittest who survive the evolving challenges of their profession, risk managers won't necessarily have to be experts in every field, observers say.

Rather, they will have to be good

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Do-it-yourself insurance is great, if you're an actuarial, financial, product liability, environmental liability, data processing, underwriting, and claims expert.

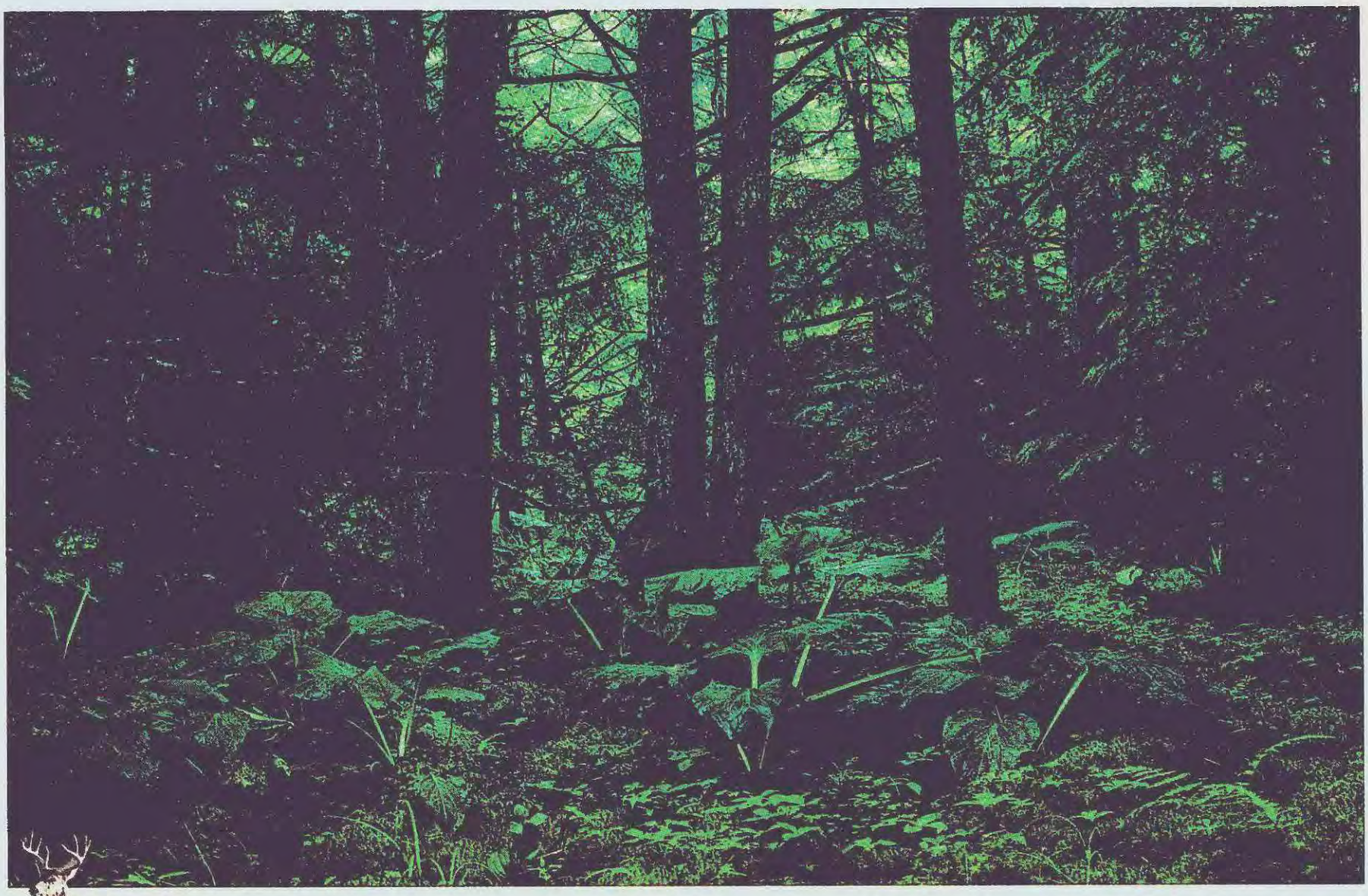
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Risk management

Continued from page 4

coordinators—tapping the expertise of various staff members and outside consultants—and good communicators—conveying the importance of their duties within the organization.

The risk manager of the future must be "more of a generalist, more aware of liability exposures, how departments depend on one another and how the business climate affects his company," said Mr. Head.

A specialist must "be able to generalize his or her outlook and function so that he or she is able to step up," he added. "Otherwise he or she is going to be a specialist for a long time."

Because "it's not possible to be an expert on the residual market crisis in work comp and in underground storage tanks at the same time," tomorrow's risk manager will need to be a "facilitator," said Risk Consultants' Mr. Murphy.

As they either expand their staffs or "contract out projects, depending on what's more cost-effective, risk managers will need support services even more in the future than in the past," he predicted.

"Risk managers always will need insurance and risk financing knowledge, but that will become less important," said IRMI's Mr. Gibson. They also will need to have some background in international risks, financing, biology, chemistry and law, he added.

And, above all, risk managers "will need really good, well-honed communication skills to convince upper management, middle management, right down to the line worker" of the need for good risk financing and loss control, Mr. Gibson said.

"Communication is one of the most important capabilities of a risk manager, which is only accentuated when you have to explain why coverage costs are rising," agreed Tom A. Duffield, vp-insurance and risk management at Archer-Daniels-Midland Co. in Decatur, Ill.

'Communication is one of the most important capabilities of a risk manager,' Mr. Duffield says.

"These people are engineers, tech people, who are not professional communicators. We need to better train risk managers so they can communicate risks to management, employees and the public," said Xordium's Mr. Gillette.

Risk managers also may need to change the way they approach their field, some observers say.

According to the RIMS' Risk Management Roundtable, the five steps in the traditional risk management process—identify, measure, select, implement and monitor—don't go far enough.

"The old process is well-meaning, but benign at best," said Tony Burlando, vp-risk management at The Hillman Co. in Pittsburgh and the author of the Roundtable's position paper.

The Risk Management Roundtable was formed by RIMS last year to identify trends and issues in the field. Other contributors include: Mr. Balcer; Mr. Duffield; Fred B. Molineux, director of corporate insurance for Johnson & Johnson in New Brunswick, N.J.; and Spencer J. Rankin, vp-risk management for Schering-Plough Corp. in Madison, N.Y.

In his paper, Mr. Burlando suggested replacing the five traditional steps with the following five "descriptors":

- Investigate—observe or study by close examination and systematic inquiry.
- Inform—give material form to.
- Influence—affect or alter by indirect or intangible means.
- Interpret—explain or tell the meaning of; present in understandable terms.
- Integrate—form or blend into a whole; unite with something else.

Mr. Burlando says his "descriptors" are "far more powerful and universally applicable" than the original five steps.

Some risk managers and consultants agree that the Risk Management Roundtable's five descriptors are more appropriate today.

"The original steps fit with new (risk management) department formations," said Stone Container's Mr. Balcer. But now that risk management is more sophisticated, it needs a more sophisticated definition, he said.

The Risk Management Roundtable's descriptors "take risk management to the next level," said Deloitte & Touche's Mr. O'Connell. "It's a refinement, part of the evolutionary process."

The new steps give risk managers "a degree of flexibility," said Coopers & Lybrand's Mr. Vogler.

Other experts, however, say the Risk Management Roundtable's approach is merely creative writing.

"I think it's largely semantics," said the Insurance Institute's Mr. Head, who was one of the developers of the original five-step risk management process. "It's like cutting an orange in various-sized pieces. No matter how you slice it, you still have the same orange."

"The five basic steps still apply," said Mr. Gibson. "All it is is a basic problem-solving approach."

Risk Consultants' Mr. Murphy called the descriptors "esoteric gobbledygook. It's nice that everything starts with an 'I.' But it's easier to interpret the original five steps. The new terms get too abstract."

"It's tough enough to communicate all the things that we have to communicate to senior management without making things seem even more obscure," he said.

Xordium's Mr. Gillette agreed: "Insurance is the most guilty of coming up with terms that nobody outside of the industry understands."

"The new steps are useful ideas, but they still don't differentiate risk management from general management," complained Tillinghast's Mr. Kloman.

Whatever approach risk managers take in the next decade, the next hard market will be their proving ground, observers say.

"The quality of the risk manager is going to go up precipitously in the next 10 years," predicts Risk Consultants' Mr. Murphy.

Today "there are so many alternatives to traditional insurance. When the market hardens again, that's when the risk manager will have the opportunity to shine," predicts AECOM's Ms. Oberpriller.

Risk managers will take a more "pro-active approach—change the face of what's going on and respond to it," said Luther Griffiths, managing vp of the Atlanta office of Alexander & Alexander Inc.

For example, "the larger risks may control prices by creating their own capacity," he said.

"The last 10 years have (created) some really big waves. The smart risk manager, like a smart investor, will ride the waves back and forth from the commercial market to the alternative market," predicts Deloitte & Touche's Mr. O'Connell.

And, "the really good risk managers will anticipate the waves, the majority will ride through them and the unprepared ones will be washed away," he said. ■

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Opinions

More McCarran study needed

IT'S TIME TO TAKE EFFORTS TO AMEND the McCarran-Ferguson Act seriously.

H.R. 1663, sponsored by House Judiciary Committee Chairman Jack Brooks, D-Texas, could be voted on this year by the House of Representatives and there are no guarantees that it won't pass.

While time is against passage of a similar bill by the Senate, passage of the Brooks bill by the House this session would weaken the position of those who favor retaining McCarran-Ferguson when the bill is considered again in the next Congress.

At this point, we continue to agree with both the Risk & Insurance Management Society Inc., which represents commercial insurance buyers, and the insurance industry that the proposed modifications will not reduce the cost or increase the availability and quality of insurance products.

The Brooks bill in particular is poorly drafted, leaving too much uncertainty about what is permitted and what prohibited.

In addition, more information is needed by Congress and the public on how changes to the McCarran-Ferguson Act actually will affect the cost and availability of insurance before the 1945 law is amended.

Most troublesome in the Brooks bill is a provision regulating insurers' collective efforts to pool information on past losses and project future claims trends. While some read the bill to permit this activity, which produces trended loss data, others contend that courts ultimately would have to decide whether such activities are legal.

If Congress is going to amend McCarran-Ferguson, there should be no doubt about what the amendments say. Either trended loss data should be clearly permitted or clearly prohibited, rather than permitted as long as it "does not involve a restraint of trade," which the Brooks bill states.

However, before Congress further limits insurers' joint activities, there should be sound research into what the amendments will and will not accomplish. Merely naming the bill the "Insurance Competitive Pricing Act of 1989" will not enhance competition among insurers. And we have yet to see any proof from the critics of McCarran-Ferguson that its amendment or repeal would stimulate competition.

Nor, however, are we entirely convinced by those in the insurance industry who predict that without



"HEY, WAIT A MINUTE... ALL OF THESE GAME CARDS SAY, 'GO DIRECTLY TO COURT'!"

trended loss data as permitted by McCarran-Ferguson, small and medium-sized insurers would be driven out of business and large insurers would stop writing lines of coverage in which they are minor players. This argument is predicated on the assumption that individual insurers could not afford to hire the actuarial talent that is supported collectively to trend loss data. More definitive research is needed to determine how essential trended loss data is to a competitive insurance marketplace.

The Brooks bill makes other amendments to McCarran-Ferguson that are open to interpretation, thus creating regulatory uncertainty.

To the extent that this is a backdoor attempt to federally regulate insurers, the issue of state vs. federal regulation or a combination of the two deserves open debate.

As RIMS said in its position paper on McCarran-Ferguson, Congress should not set in motion an "ad hoc evolution of joint federal/state regulation where the parameters of each one's authority are not defined and carriers, fearful of antitrust ramifications, are afraid to act."

For all these reasons, it's important that representatives be encouraged to vote no on the Brooks bill to amend the McCarran-Ferguson Act.

Letters

Leasing firms take advantage of NCCI mistake

To the editor: I read with considerable interest the article "Regulators Target Work Comp Abuses in Employee Leasing," in the June 25 issue of *Business Insurance*.

Why is it fraudulent for an employer to take advantage of the National Council on Compensation Insurance's incompetence in writing rules for determining the applicability of an experience modification to a certain group of employees?

The purpose of experience modification is to help assure that each employer's workers compensation premiums are in line with expected claims.

The notion is that past claims experience for an employer serves as a good guide to expected claims. If so, the continuity of ownership of the employer is not the relevant factor. The relevant factors are the management and operations.

If the NCCI rules were amended so that continuity in the management, supervision and/or operations in which the employees are engaged determined the applicability of the experience modification, the plan whereby leasing companies can eliminate or reduce debit ratings would no longer work.

This should not be so difficult for the people of the NCCI to write.

Until they do so, how can they seriously apply the word "fraudulent" to those employers that simply take advantage of their poor writing of their own rules?

Why should the state regulators become involved in this problem when all they need to do is suggest that the NCCI file with them better written rules for the applicability of experience modification rating to a particular workers compensation risk?

Eric S. Tachau
President
Insurance Consultants Inc.
Louisville, Ky.

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Geisel honored for editorial

Business Insurance Senior Editor Jerry Geisel won an honorable mention in the editorial writing category in the national annual awards competition sponsored by the American Society of Business Press Editors.

Mr. Geisel, who is based in *BI's* Washington, D.C., bureau, was recognized for his Sept. 11, 1989 editorial "Preserve ERISA's Legacy." The editorial warned of the problems that increasingly restrictive regulations and laws posed to the nation's private pension system.

The editorial earlier received an honorable mention in the awards competition sponsored by the Chicago Chapter of the ASBPE.

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Computers

Continued from page 3

• Reduce risk management staff and/or keep staff operations more efficient.

One of computers' biggest boosters is George W. Mills, risk manager for the New Jersey Highway Authority, in Woobridge, N.J. Mr. Mills began in the insurance industry 40 years ago, long before computers were an everyday tool.

"You still have to do the work you always had to do"—including placing insurance and handling claims—but "it has made the accuracy and the speed so much greater," Mr. Mills said.

Information needed for coverage negotiations can be ready in seconds because files no longer have to be tracked down. "Have you ever tried to find a claims file?" Mr. Mills asked rhetorically. "Somebody else always had it."

L.W. Hollensbe, risk management director for Kerr-McGee Corp., an Oklahoma City-based oil and chemical company, also remarked on the great improvements in information systems.

"We find that information is so much more accessible and it's much more accurate than we had it with a pencil from behind the ear," said Mr. Hollensbe.

"We can provide more meaningful reports, and more meaningful analyses of the cost of risk services management and the costs of risk than we could before we had automation," he said.

"Try to find your hard copy of data that you put together 10 years ago, and try to explain it to someone," challenged William M. Scott, risk manager for restaurant chain Ponderosa Inc. in Dayton, Ohio.

The beauty of the computer is that a risk manager can retrieve data immediately and manipulate it, Mr. Scott said. And, he noted, the information can be kept on a disk, meaning companies don't have to store paper files that are hard to retrieve and manipulate.

Using computers has precluded the use of "mountains of wasteful paper" from insurance companies, agreed Frank Sup, risk management director at Wichita, Kan.-based Pizza Hut Inc.

Risk management departments can use computers to produce quality snapshot reports that efficiently analyze and compare data, a task that was "almost impossible not too long ago," he said.

By maintaining control of its own data base, corporate risk management departments also can create internal in-house management reports to help identify problems, Mr. Sup said.

"It helps you do it quickly and more efficiently. It's made life so much easier," he said.

Woody Anderson, director of insurance for KPMG Peat Marwick in Montvale, N.J., said a computer's ability to collect and sort data tells him more about his risks and lets him avoid "figuring by the seat of my pants."

Peat Marwick uses a computer to collect data on each of its office locations so the firm can better understand its risks, and "can take and process useful information," Mr. Anderson said.

"The system has added a tremendous value to us" in organizing a program to help Peat Marwick better comprehend its risk situation, then doing something about it, he said.

"It's helped us tremendously, because we can generate data by location, by profit center and by department, so we can see where accidents are occurring," said Monfort's Ms. Gallagher. "That helps us pinpoint where accidents are" and where changes should be made, she said.

"I think it gives you a data base that you can review on a current basis," said Art Bostwick, risk manager for Stone Container Corp. in Chicago. "It gives you an extremely good statistical picture."

Updating detailed data is much easier with a computer, said Laura Markos, director of risk management for Avery Corp., a manufacturer in Pasadena, Calif. Avery uses computers for cost allocation, risk analysis and other functions. "It's difficult to see how we got along without them."

Having data available through computers "enables use to really zero in on some of the problems," said Sal M. Bianchi, risk manager/administrator for the Intergovernmental Risk Management Agency in Oakbrook, Ill., a risk management pool with 51 municipality members.

Because the pool has a large number of cases, the need for a data base that can be analyzed in different ways "becomes that much more important," Mr. Bianchi said. The computer is also invaluable in helping IRMA design loss control programs and practical training, he said.

R.T. Shillinger, corporate risk manager for the Pittsburgh-based Aluminum Co. of America, said that computerization has "given me a lot more time to do analyses, and it's really helped me in discussing our insurance needs with brokers and underwriters" because all the data is immediately available.

"It's been both a management tool and a time saver," he said.

"It helps us to do our distribution of insurance costs a lot earlier and more accurately than we did before," said John Brouch, director of risk management for American National Can Co. in Chicago.

Risk managers also describe computers as an invaluable tool in educating top management about their departments' functions.

'We find that information is so much more accessible and it's much more accurate than we had it with a pencil from behind the ear,' says L.W. Hollensbe, risk management director for Kerr-McGee Corp. in Oklahoma City.

For instance, Pizza Hut's Mr. Sup said computer-generated graphs and pie charts help him "better describe and improve comprehension and understanding of what's going on" to top management, which is essential to be successful as a risk manager.

Henry J. Guidry, risk manager for the Cajun Electric Power Cooperative in Baton Rogue, La., agreed that computers are useful tools for communicating with management.

"I am able to make reports more meaningful because of the computer, and therefore communicating and selling the principle of risk management is a little bit easier."

Richard Klovstad, vp, risk management and insurance, for PNC Financial Corp. in Pittsburgh, agreed that computers are a valuable tool that can be used to communicate to superiors.

"I think they're very useful in developing presentations to top management because of their graphics capabilities and the fact you can turn out very high-quality reports" that look good and incorporate a great deal of risk management information, he said.

Continued on next page



Continued from previous page

Good graphics help explain "arcane and abstract concepts." Any time you want to sell top management on a risk management issue, "you have to explain it in very understandable terms and the kinds of presentations computers allow you nowadays fit that bill nicely," Mr. Klovstad said.

Kerr-McGee's Mr. Hollensbe also said better, more understandable reports produced by computers help reduce the time he has to spend with top managers.

Mr. Hollensbe and other risk managers say computerization has also helped keep the number of staff members down. Without computers, Mr. Hollensbe said, "we would have to have twice the staff that we now have to handle reporting requirements" that are demanded by both state and federal governments.

He added that his department operates "without increasing staff, but with considerably more demands for information."

John Calkins, director of risk and insurance management at The Stanley Works, a manufacturer in New Britain, Conn., agreed that computers can keep down the number of staff members.

"It's undoubtedly reduced the number of people that would otherwise be necessary to manage global risks," including staffers that would be needed to know the exposures, manipulate data and keep track of costs over a multiyear period, Mr. Calkins said.

Robert Harney, risk management director for Hoffmann-La Roche Inc., a pharmaceuticals firm in Nutley, N.J., said he is not sure whether computers have enabled his department to cut its staff.

But, he added, with computers "we are able to do a lot more with what we have." Without computers, he said, the risk management department would not "even attempt to do some of the things we do."

Computers help improve department efficiency, freeing up time so staff members can work on more productive things, agreed Robert Ozment, director of corporate insurance for Ford Motor Co. in Dearborn, Mich.

And the city of Westminster's Ms. Ray finds its computer system particularly helpful in getting out letters acknowledging claims against the city. Other uses include tracking property values and claims on a year-to-year basis.

Meanwhile, Laurine Purola, director of risk management for the New Jersey Turnpike Authority, based in Brunswick, N.J., said her department is now in the process of introducing a computer system, and she is looking forward to using it.

"I'm anticipating a whole new world will be open to us," Ms. Purola said. ■

RMIS software

Continued from page 3

that vendors have gained by working with various other companies.

Regardless of whether they have gone so far as to design their own software, many risk managers bluntly express irritation with the crop of RMIS software packages on the market.

"There is not enough good software for risk managers," said John Del Bango, risk manager for the LaFarge Corp., based in Reston, Va., which has been investigating software in order to computerize its claims files.

Much of the software available is geared to insurance companies, Mr. Del Bango said. "There's a lot of room for improvement."

"A risk manager's needs are a little bit different at times" and he or she needs a software package that can present more analytical, "what-if" scenarios, Mr. Del Bango said. "You like to play with your own what-if scenarios," he said. This is particularly valuable when a firm is making an acquisition, he added.

"I'd agree there isn't a great deal of software out there to select from," said Arthur Bostwick, risk manager for Stone Container Corp. of Chicago.

Mr. Bostwick, whose department uses business software like Lotus 1-2-3 but not specially designed RMIS software, said he particularly wants to see a better selection of software that presents "what-if" scenarios, where the idea is "let's create a new universe."

"I would like to see a greater variety," he said.

Most software on the market is "way too preoccupied with its roots as a claims information system," commented Denis Julien, corporate risk manager for Florida Progress Corp. in St. Petersburg, Fla.

Few RMIS software packages deal with the whole spectrum of risk management functions, said Mr. Julien, whose firm has designed its own risk management software. "As risk manager, I would like to see other areas" handled by available RMIS, said Mr. Julien.

Software developed by Florida Progress "is really much more of a plain data base that includes all the values on a humongous spreadsheet," said Mr. Julien, comparing his software to commercial available programs. These values are all that are needed to prepare a survey of the corporation's risks, he explained, noting that this information is then used to prepare individual reports.

An underwriter's profile, for instance, would include "lots of facts and figures" about the corporation tailored to the particular line of insurance. A liability report, explained Mr. Julien, would include a list of locations, what kind of products are made, who their customers are and corporate financial statements. And, a property digest would include information on the different types of properties, where they are located, their size, if they have sprinklers, how close they are to the fire district and any other information a property insurance underwriter would be interested in.

None of the RMIS products offered by vendors accommodates that volume of information, said Mr. Julien, adding that off-the-shelf products are primarily claims management data bases, which is "only a small part of what we need."

"It's difficult to come up with a program for risk managers that's going to be all things to all people," because each company is different and each risk manager has slightly different needs, agreed Robert Harney, risk manager for Hoffman-La Roche Inc. in Nutley, N.J.

A lot of development in-house, as well as additional outside packages, is necessary to produce effective risk management software, said Mr. Harney, whose firm now uses a combination of programs developed in-house as well as claims programs provided by outside vendors.

Risk managers all tailor their insurance policies to meet their individual needs, he noted. "Why should we not have to tailor a risk management information system?" he asked.

Although the Woodbridge-based New Jersey Highway Authority eventually found an RMIS software package it liked, Risk Manager George Mills agreed there is a shortage of good risk management software available. "We looked at a lot of software before we bought," he said.

Most of the programs the au-

Continued on next page

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RMIS software

Continued from previous page

thority looked at did a good job of keeping track of claims, Mr. Mills said, but could not help the risk management department with its day-to-day operations.

Mr. Mills said he needs software that keeps track of all insurance certificates and their expiration dates and that sends notices as the expirations near.

He noted his authority supervises a highway system—the busiest in the nation—that is 173 miles long and 100 miles wide. A "tremendous number of people" are involved in construction and other operations on the highways, so it is crucial that insurance coverage is kept up to date, said Mr. Mills.

Most available software "just didn't do the job," he said.

"Most of the software we found was designed for agents, and we're not insurance agents," said Mr. Mills. "I think there should be more programming designed for the risk manager rather than the brokers' standpoint."

Terry R. Moulder, pension and risk manager for Teleflex Inc., based in Limerick, Pa., said his problem has been discerning which of the software packages available is the best.

"I see a lot of advertisements, but it's hard to get an indication of what's quality software for the price. It's hard to get a sense of value," he said.

"There's no place I'm aware of I can go to to get more objective input as to whether software is good or not. I don't know where you can go to get that input" other than by talking with other risk managers, he said.

For the time being, Mr. Moulder said he uses general business software, while having his firm's broker perform loss runs and analysis, loss development and other risk management information-related services. "So far, that's fine," he said.

Other risk managers, however, have decided to develop their own software rather than rely on commercial business software to meet their needs.

Off-the-shelf software is 'pretty restrictive,' says R.T. Shillinger of Aluminum Co. of America. 'A lot of your canned systems could give you a piece of this and a piece of that,' but could not, for instance, graph certain costs over a period of time.

They include Herbert Johnson, risk management director for Michigan Consolidated Gas Co. in Detroit, who noted, "We took a look at quite a few packages" before deciding to go ahead and design one. Once an in-house programmer is free, "it goes pretty fast after that," he said.

"We just did our own because we didn't find any software available," said Margo Hickman, manager of risk and insurance at Household International Inc. in Prospect Heights, Ill.

Although it obviously took more time than to purchase an off-the-shelf product, "it's doing what we would want it to do," she said.

Ms. Hickman said her firm's software is capable of keeping track of information about exposures of each Household International business unit individually, including both insured and self-insured claims and premiums amounts. "We had to budget by business unit," she explained.

She added that her firm does use one insurer's RMIS system, which gives her firm the capability of viewing casualty claims information on any given day. But this information must then be worked into Household International's own program, which represents the bulk of RMIS software used by the firm and is easier to use.

Martin Hahn, director of corporate risk and insurance for the Philadelphia-based Berwind Corp., said his firm has also developed its own risk management software.

He said that while "there's a lot of people out there" offering risk management software, it is difficult to find the right system. "People have canned systems that just don't work sometimes," he said.

As companies get bigger and bigger, they cannot afford to have systems that do not fit their own needs, "so you develop your own," said Mr. Hahn.

"When you design your own system, you're better able to create many more reports that are usable," said Mr. Hahn. "You get a lot more flexibility and that's probably the biggest thing. We have access to much greater information."

R.T. Shillinger, corporate risk manager of Pittsburgh-based Aluminum Co. of America, which has also developed its own risk management software, said the off-the-shelf software is "pretty restrictive."

"I have not been able to find a system that could fill my needs," he said.

Mr. Shillinger said that some of the commercial programs he looked at were "very complex and complicated." But Mr. Shillinger said he needed a system that could readily provide information—including loss projections, premium allocations and historical premiums—for the last 10 years by line of coverage.

"A lot of your canned systems could give you a piece of this and a piece of that," he said. But they could not, for instance, provide in graph form premiums over a 10-year period by line of coverage or by insurer.

Another need Mr. Shillinger had was to track particular types of product liability claims and see how much they were costing the company. "It's very difficult to do that on one of these canned systems," he said, explaining that they could track all liability claims, but could not break them down by particular type.

"You just don't have the capabilities to do that" using commercially available software, he said.

He noted he could have obtained this information by using insurance company loss runs, but that involved going through a lot of information page by page with a pen and pencil and "I just don't have the time to do that."

Vendors acknowledge there is some validity to risk managers' criticisms of RMIS products, although vendors contend their own programs offer the flexibility the risk managers seek.

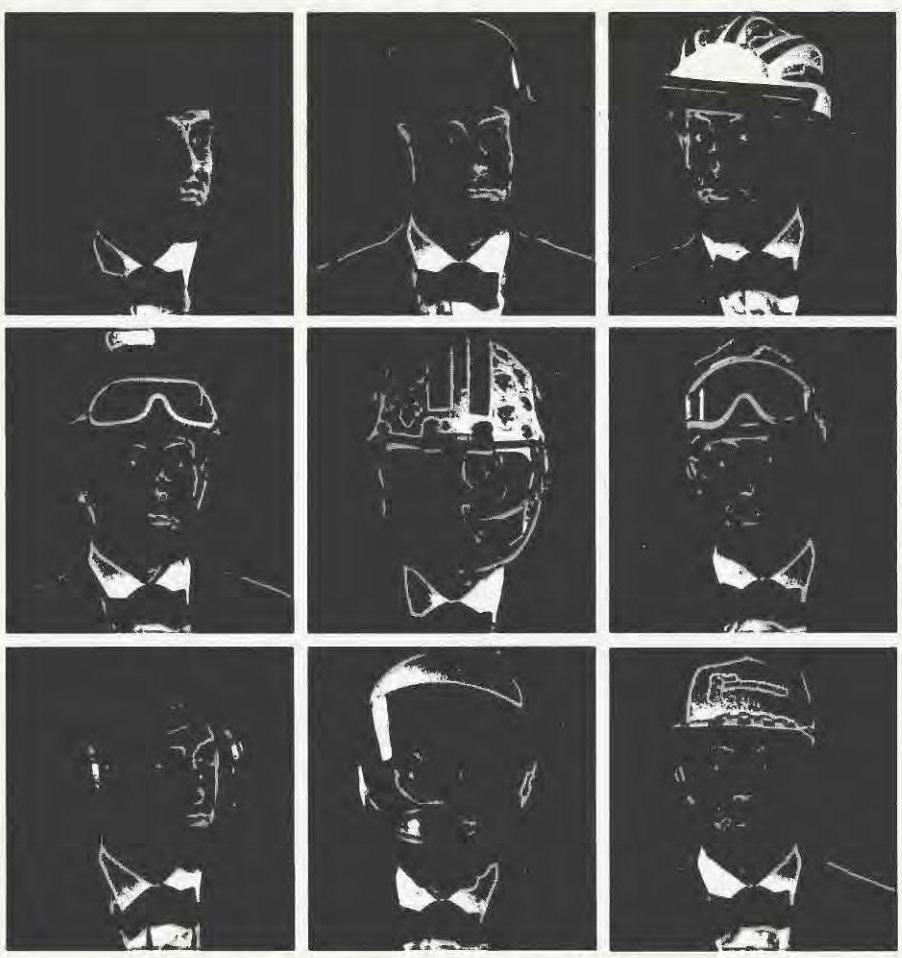
Risk managers' complaints apply to the RMIS industry "in general. It doesn't apply to our systems," said Alan Cantor, president of Beverly Hills, Calif.-based Cantor & Co., a software vendor.

Cantor & Co.'s products are a "moving target," he said. "We're always revising them and enhancing them and customizing them" to meet risk managers' requirements.

Many other systems "are, at their best, big filing cabinets, and that just doesn't cut it," he said.

Continued on page 16

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RMIS software

Continued from page 14

Karen Foley, senior vp and national director of Anistics in New York, a unit of Alexander & Alexander Services Inc., agreed that off-the-shelf software packages for the most part are "virtually worthless to a risk manager."

However, she noted that Anistics designs its software on a project-by-project basis. "That's why we don't offer a product. We offer project consulting," she said.

"In some ways, I think they're right," said Richard Denning, president of Atlanta-based vendor Risk Services Group Inc., responding to criticism of available software packages.

The "typical profile" of someone working for an RMIS vendor is probably someone with a math or computer science background who has never worked for a risk management department, brokerage or insurer, he noted. Any risk management experience he has comes from working on special projects "here and there," he added.

Risk Sciences Group has responded to that problem by encouraging a "great deal of client interaction" with staff, and encouraging them to work right in clients' offices, according to Mr. Denning.

His firm has also established an advisory board of risk managers "to look at the demands on risk management in their entirety" and the impact on their information needs, he said. Risk Sciences has also encouraged its staff to become better educated about risk management, he added.

Vendors also point out there are disadvantages to risk managers developing an in-house system.

A vendor is constantly in touch with hundreds of other system users, which leads to the continuous development of enhancements to systems that everyone can use, said Mr. Cantor.

By working with many companies, a vendor can come up with additional computer uses that "a lot of risk managers are too busy to think about," he said.

Anistics' Ms. Foley agreed. By developing software in-house, "you don't get that bigger picture and broader view, necessarily."

Working with many companies, an RMIS vendor can learn of pitfalls as well as opportunities that "the risk manager won't know about," she said.

Vendors' products reflect a "tremendous investment" in features that risk managers can use without having had to pay for their development, said Mark Dorn, vp and principal with the Tillinghast division of Towers, Perrin, Forster & Crosby Inc. in Atlanta.

Mr. Dorn, in charge of Tillinghast's Riskmaster software unit, noted that with an off-the-shelf product, the testing and evaluation has already been done by others.

A risk manager who buys software from an outside vendor benefits from the shakedown period that all software has to go through to get the bugs out, agreed Mr. Cantor.

This period can take as long as it did to develop the software initially, he said. "That can be very expensive" and is rarely incorporated into the risk management department's budget, he noted.

Mr. Cantor also said the risk manager must deal with others in his corporation in getting a system developed and "the in-house people are not always as responsive as they can be."

While some risk managers shun commercially available RMIS software, others are satisfied with the programs on the market.

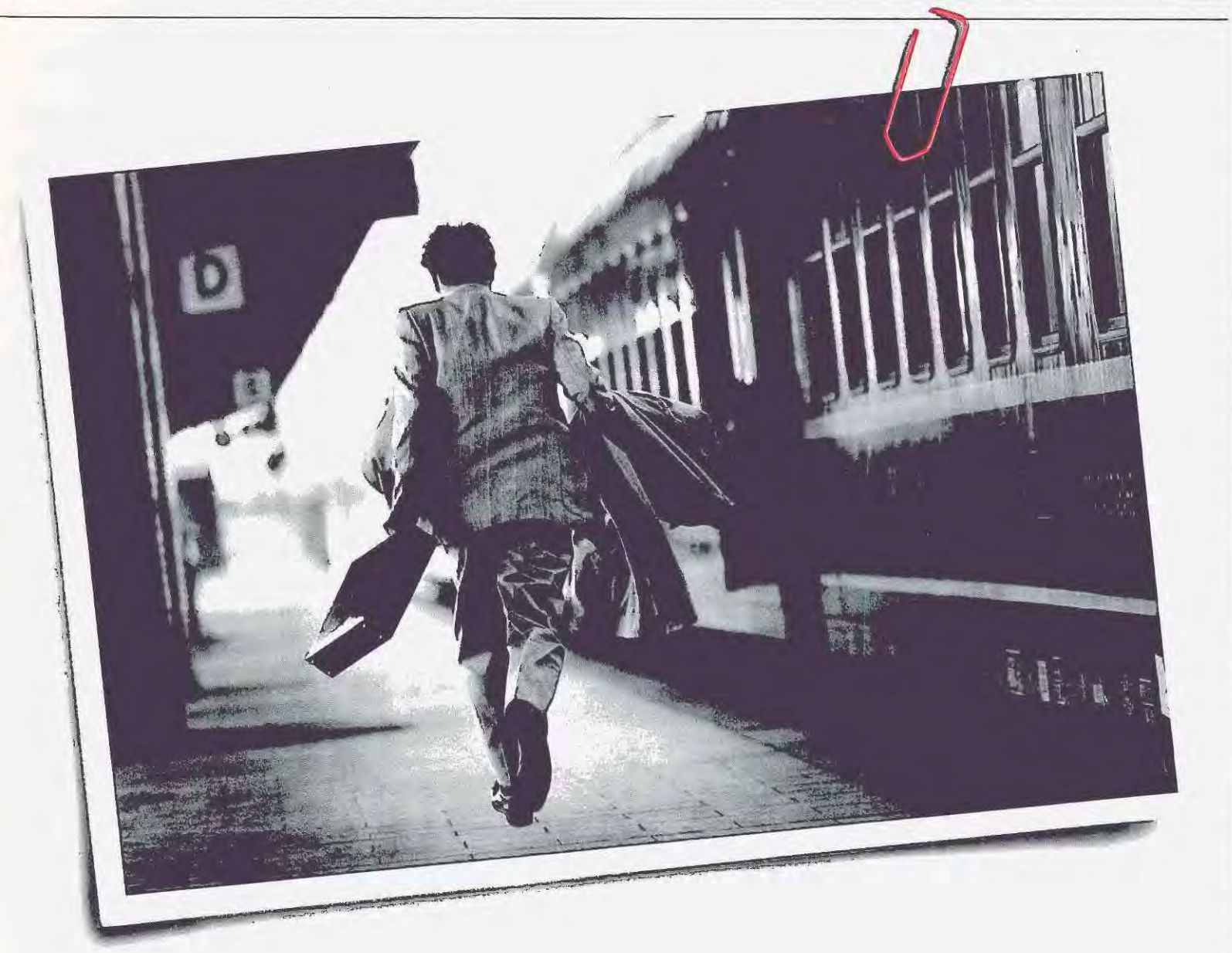
Adequate risk management software is available, said Woody Anderson, director of insurance for KPMG Peat Marwick in Montvale, N.J. "You just have to know the capabilities of the program itself," he said.

"I think they're not looking in the right place," Mr. Anderson said of risk managers who are dissatisfied with available software.

John Brouch, risk management director for American National Can Co. in Chicago, agreed. "I think there's an adequate amount of software. You just have to pick and choose."

"I have not seen that problem and I'm really quite surprised" by risk managers' comments, said Sal Bianchi, risk manager/administrator for the Intergovernmental Risk Management Agency based in Oakbrook, Ill., which runs a pool for 51 municipal members.

"I think there's a lot of information out there. You just have to know what you want and go after it," said Lucille Gallagher, vp-risk management for Greeley, Colo.-based Monfort Inc. ■



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BI

Spotlight report

Only the computer literate need apply

By JUDY GREENWALD

NEW YORK—Computer literacy is now a job requirement for many risk managers, professional recruiters specializing in risk management positions say.

In fact, soon employers will not even bother mentioning that job candidates should have computer experience; it is already almost assumed they do, recruiters say.

Recruiters point out that the need for computer literacy has grown along with the complexity of risk management and the need to handle the intricacies of self-insured programs, loss forecasting and other sophisticated projects.

Increasing computerization in risk management departments has fueled the greater demand for job candidates with technical backgrounds.

"It's required. It's almost necessary today," said Michelle LaMorte of LaMorte Search Associates Inc. of Boca Raton, Fla. "The larger the company, the more imperative it is."

Computer literatcy is "getting more and more important," agreed John DeLucie, an insurance specialist with Linwood Consultants Inc. in New York. Proficiency with computers may not be a requirement but "it certainly is helpful," he said.

"You can't really discount a very, very good applicant with a good technical (insurance) background" if the person doesn't have a good computer background, he said.

But given two candidates with equally strong insurance backgrounds, if one has a computer background and the other does not, "it's kind of tough for the person who doesn't," he adds.

"I'm finding more and more requirements for computer familiarity," said Carolyn Davis of Carolyn Davis Associates in White Plains, N.Y.

"Companies today are definitely looking for people with computer experience. Unequivocally," said Bill Perry, president of Logic Associates Inc. in New York.

Finding any risk management jobs that don't require computer literacy is very difficult, Mr. Perry said. "It's almost assumed that people are going to have it, too."

Soon, he predicts, "it's almost going to be second nature that people will have computer skills."

Richard Meyers of Richard Meyers & Associates Inc. in Florham Park, N.J., said a survey conducted by his firm found that 60% to 70% of employers were seeking risk management candidates with knowledge of either risk management information systems or the use of spreadsheet analysis.

In another year or two, it will be standard for job candidates to have data base or spreadsheet experience, Mr. Meyers said.

Hillary Levine, executive vp at New York-based William Harris Associates, said, "I think it's probably required in maybe 80% of the positions listed."

Ms. Levine noted, however, that the degree of specificity noted in job descriptions varies and can be a reflection of the knowledge of the corporate official who is hiring the risk manger. "It's possible the test is how much they know about it," she said.

Positions requiring computer experience that Ms. Levine is now trying to fill include:

- A risk management analyst for a service company, with a salary of $28,000 to $30,000. The risk management director specified he wanted someone with management information systems experience, including spreadsheet programs Lotus 1-2-3 and Symphony, and WordPerfect.
- Assistant risk manager for a large manufacturing company, a position paying $30,000 to $40,000 a year. The employer requires spreadsheet and Lotus expertise.
- Risk manager for a conglomerate, paying $50,000 to $60,000 a year. Lotus expertise is required.
- A risk and loss control manager for a conglomerate, with a salary of $45,000 to $55,000 a year. The employer seeks risk management information systems expertise.
- A director of risk management for an international financial services corporation, a position that pays $65,000 to $75,000 annually. The employer requests computer experience.

Recruiters say that many young risk managers had computer experience before entering the field.

Not only is computer training offered by top insurance academic programs, it also is frequently required for liberal arts majors, they say.

For instance, The College of Insurance in New York requires a computer course for all majors at the undergraduate and graduate levels, said John Hampton, provost and professor of insurance and risk management.

The course, designed to ensure that students understand how to maintain data bases and use a spreadsheet to analyze loss and expense patterns, is a prerequisite for many advanced courses.

"It's a foundation course," he said.

"Our goal is to make the computer invisible in risk management. Our students know how to use it, and can use it to perform the various risk management functions," Mr. Hampton said.

By "invisible," Mr. Hampton explained, he means equipping students to work with computers without giving it more thought than what was once devoted to working with a pencil and paper.

Computer literacy is not limited to students studying risk management.

Hugh Kentley, treasurer of Boston-based Insurance Personnel Recruiters Inc., noted that computers "are part of your core courses now in college."

Young people going into any field, including insurance, "have to have that foundation. I think it's required, as it would be required in any business nowadays. It's just part of your business skills," said Mr. Kentley.

He also noted that many risk management professionals are hired from insurers or brokerages, where learning to use computers was part of their jobs.

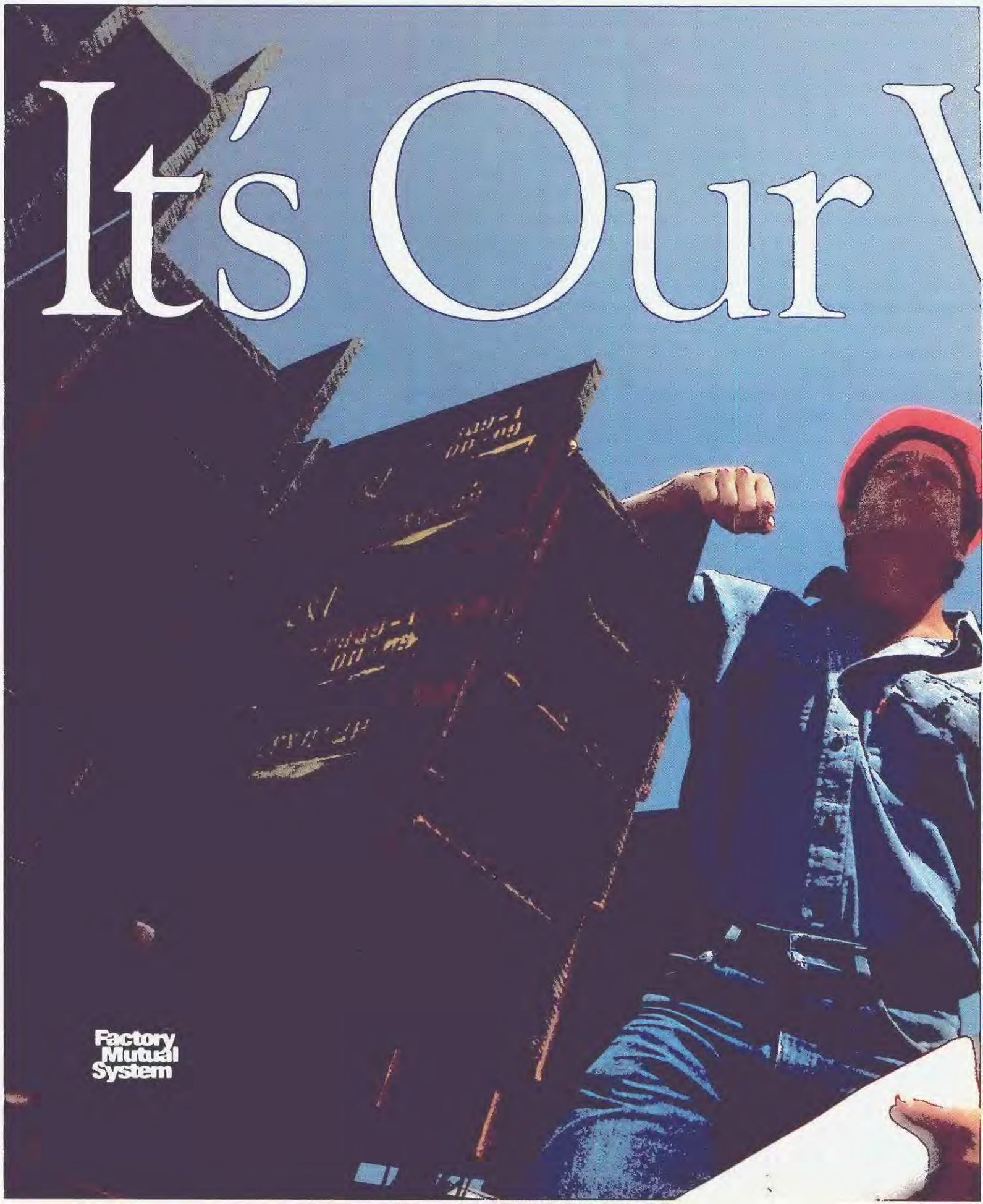
As a result, Mr. Kentley said, most candidates for risk management jobs already seem to have some computer knowledge. "It's sort of assumed in a lot of cases now," he said.

Among younger risk managers in particular, "it's becoming more and more commonplace for them already to have the experience" on computers because they have worked their way up from technical positions, Ms. LaMorte said.

Even if they do not have computer experience, however, most vendors are happy to provide the training—"for a price," Ms. Davis said. Computer literacy may not necessarily be a job prerequisite "but they sure need it when they get there," she commented.

"It's definitely part of the picture," she said.

Continued on next page



Continued from previous page

"Risk management is a financial tool, and computers make it that much easier," said Ms. LaMorte.

It is particularly important at large companies, which are more likely to be self-insured, she said. Retrospectively rated programs have also increased the demand for computers.

The demand for risk managers with computer backgrounds reflects the growing computerization of risk management departments.

Fifteen years ago, it was unusual to find a company establishing a computerized risk management information system, Mr. Meyers said.

Today, the question is not whether one will be set up, but how soon, he said, noting that data bases are now an integral part of risk management.

Surveys by Logic Associates in 1989 and 1983 offer dramatic evidence of the widespread use of computers in risk management.

In 1989, for instance, 38% of firms with up to $200 million in annual revenues were computerized, compared with just 7% in 1983.

There were similar differences among larger firms: A total of 52% of firms with $200 million to $500 million in revenues were computerized in 1989 vs. 23% in 1983; 63% of firms with $500 million to $1 billion in revenues were computerized in 1989 compared with 18% in 1983, and 69% of firms in the $1 billion to $2 billion range were computerized in 1989, compared with 18% in 1983.

In addition, in 1989, 82% in the $2 billion to $4 billion range were computerized vs. 50% in 1983; 88% in the $4 billion to $7 billion range were computerized in 1989 compared with 40% in 1983, and 89% in the $7-billion-plus category were computerized in 1989, compared with 50% in 1983.

The 1989 survey also found that 53% of risk managers consider themselves proficient in the use of a personal computer (*BI*, May 7). ■

Could risk managers rely too much on computers?

By JUDY GREENWALD

NEW YORK—Computers can certainly help risk managers do a better job, but some warn that risk managers can become so enamored of clicking away at their keyboards that they neglect other duties.

These risk managers say they must guard against becoming too absorbed by their computers.

Their advice: Delegate computer responsibilities and remain keenly aware of field visits and other duties.

"I've seen it done, and absolutely refuse to be a slave to my computer," said Martin Hahn, director of corporate risk and insurance at industrial conglomerate Berwind Corp. of Philadelphia.

He knows one risk manager who spent 12 hours a day at in front of a computer screen. "Not me," Mr. Hahn said.

He says the key is to avoid inputting data. "I delegate the responsibility," then look at the results later, said Mr. Hahn.

"That's where the time is. It's inputting the data, so if you're a good manager, you delegate it. A lot of risk managers don't, though, because they're not good managers. They do it themselves."

Stephen Scammell, risk management director for GAF Corp., a Wayne, N.J., manufacturer whose risk management department is not heavily computerized, said he believes that too often computers become ends in themselves.

There is a danger of the risk manager starting to work for the computer instead of the other way around, he said. Risk managers can end up adjusting their behavior to what the computer can do, instead of using it effectively as a tool.

"My staff spends more time going to plants, rather than sitting at their computers," said Mr. Scammell. They practice risk management, "not spitting out numbers."

Some people will sit behind a computer "and be 150% busy all day long," agreed Denis Julien, corporate risk manager for the Florida Progress Corp., a utility holding company in St. Petersburg, Fla. But the risk manager who does this is "abdicating some of his responsibilities," he said.

While computers can help analyze trends, Mr. Julien says he is not sure if a risk manager "should spend time pushing those buttons."

Making higher level decisions and getting to know field managers are both more valuable, he said. "The company's not getting their money's worth if I spend too much time behind the computer."

Risk managers could find themselves spending too much time at their computers if they use them as a toy or hobby, said Judith Tornese, vp-risk management and administration for Transamerica Corp. in San Francisco. "I think there's somewhat of a danger of that.

"You still have to know people, and that's a big risk management function," she warns. Risk managers need to keep up with contracts and know the company's exposures, and "the computer is not going to help you with that."

Safety managers spending more time looking at data than at a plant "could be a problem," said Lucille Gallagher, vp-risk management at Monfort, Inc., a meat processing firm in Greeley, Colo.

But computer-generated data can allow a risk manager with many duties to use his or her time more efficiently. "It enables you to prioritize the areas that really need attention," she said.

Several other risk managers say that computers greatly enhance their efficiency and present little threat that they will lose touch with their companies.

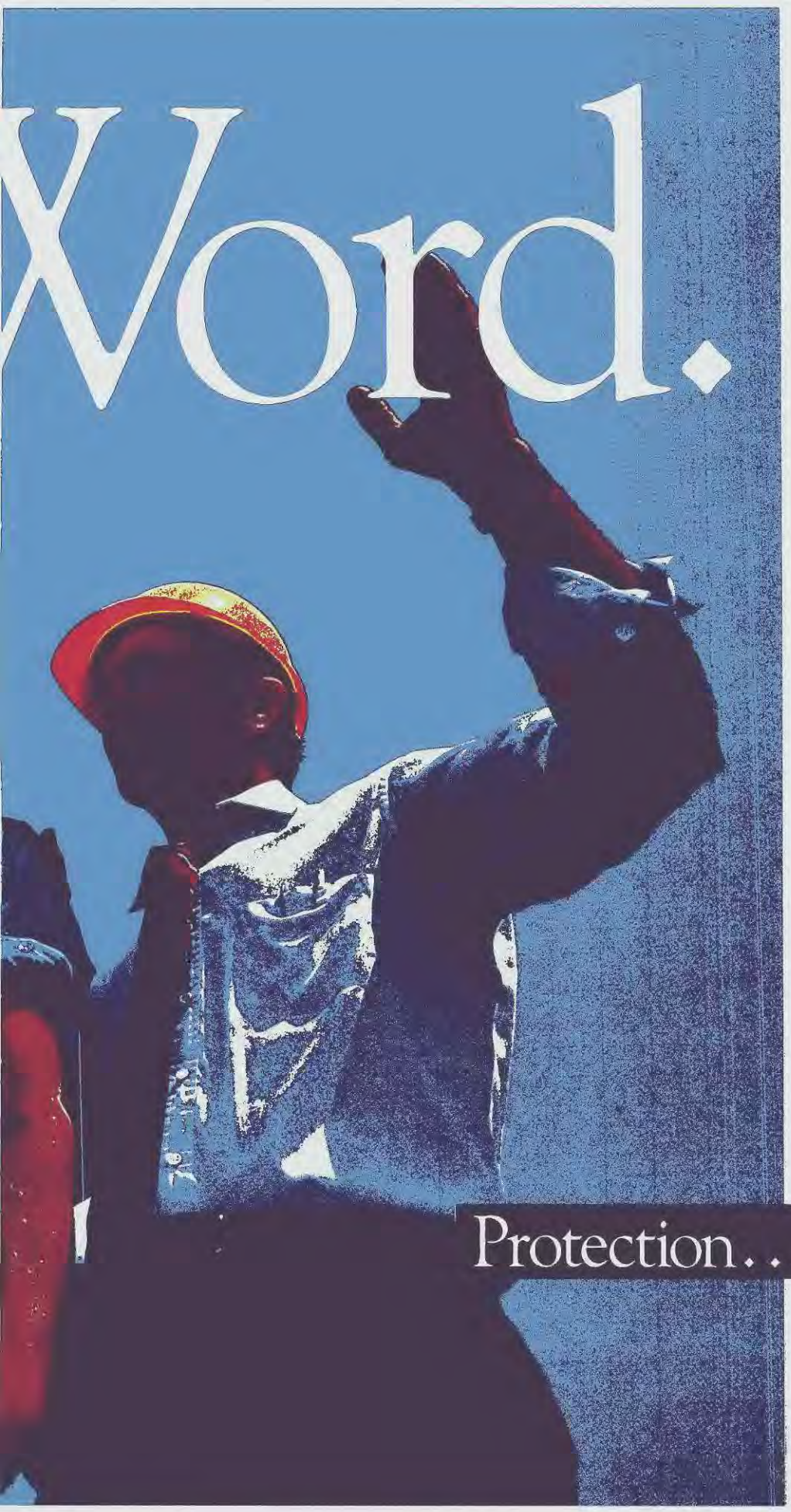
Margo Hickman, manager of risk and insurance at Household International Inc., a financial services company in Prospect Heights, Ill., said, "The computer hasn't changed the frequency of my visits. It's just speeded up my contacts between visits."

At National Westminster Bank USA in New York, a risk management information system is a tool that enables the staff to work quickly so it can "get out and do other parts of the job," says Vp Kristin W. Davis.

And R.T. Shillinger, corporate risk manager for the Aluminum Co. of America in Pittsburgh, said computer graphs and charts enable him to do a better explain what ALOCA's exposures are. "It gives me the data at my fingertips."

Overreliance on computers is not "a particular risk," says Laura Markos, risk management director for office product manufacturer Avery Corp. in Pasadena, Calif.

She compares using a computer to using a telephone. In either case, risk managers must get out in the field, Ms. Markos said. ■





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Managers support RMIS purchases

By JUDY GREENWALD

NEW YORK—Risk managers generally—although not universally—find top management supportive when it comes to buying computer equipment and risk management information system software for their departments.

So long as the expense can be justified, management is more than willing to lay out the money, risk managers say.

At Kerr-McGee Corp. in Oklahoma City, top management became supportive "once we could demonstrate the value of automation," said company risk management director L.W. Hollensbe.

And Woody Anderson, director of insurance for KPMG Peat Marwick in Montvale, N.J., said he has never had any problem obtaining support for risk management department automation.

It's like any other expense—it has to be justified, and there are steps to go through, said Mr. Anderson. But, he added, "You can get the funds that are needed."

There is no problem getting management support for obtaining an RMIS so long as it can be justified, agreed George Mills, risk manager for the New Jersey Highway Authority, based in Woodbridge, N.J.

Top managers are "very helpful" at Household International Inc., said Margo Hickman, manager of risk and insurance for the Prospect Heights, Ill., financial services firm. "Honestly, even my secretary has a personal computer on her desk. They're very progressive here."

The incentive can also come from top management, rather than the other way around.

At United Telecommunications Inc. in Westwood, Kan., the risk management department is largely computerized as a result of top management "prodding and pushing us," said William R. Shirley, director of risk management.

Computers were "made available to us," said Mr. Shirley, adding that some officials at his level automatically get one.

"We've been encouraged to use them" and to get more involved, Mr. Shirley said.

But Ralph Gentry, risk management director for Times Mirror Co., said his department is still waiting to get personal computers.

The Los Angeles-based media company is introducing PCs in some departments. "It just hasn't gotten to the risk management department yet," he said.

"In many cases, risk management is at the bottom of the totem pole in comparison to many disciplines in the corporation," said Mr. Gentry.

The tax, accounting, financial analysis and legal departments "have received more priority in getting the PCs," said Mr. Gentry.

The risk management department, though, does use ESIS Inc.'s CIGNA Risk Information System, an on-line statistical reporting system, for workers compensation claims and other activities, Mr. Gentry said.

If only an RMIS could. . .

NEW YORK—Some risk managers, already pretty thrilled with the help their computers provide, also have a "wish list" of additional—if sometimes admittedly infeasible—features they would like added to their risk management information systems.

Computers still can only reflect the sophistication of their users, so users who don't understand a machine's capabilities cannot take advantage of them, said Frank Sup, risk management director of Pizza Hut Inc. in Wichita, Kan.

"It's not going to think for you," he said. "It's the same old story. They don't think for themselves. Garbage in, garbage out."

Mr. Sup added that he doesn't know how long it will be before computers replace risk managers, "but I don't see it happening any time soon."

Woody Anderson, director of insurance at KPMG Peat Marwick in Montvale, N.J., had a similar complaint.

"I think we're constantly improving our capabilities with the computers," he said. But the difficulty with any computer is that you have to determine what data should be put into it, he said.

'They don't make pizza yet, but they're coming close,' jokes Robert Harney of Hoffman-La Roche.

Mr. Anderson said he would like to see that "gradual learning curve" somehow shortened.

Lucille Gallagher says risk managers bear some of the responsibility for this problem. Programs can be developed to implement as many ideas as a risk manager can formulate, said the vp-risk management for Monfort Inc. in Greeley, Colo.

"We need to be creative and innovative in getting the right kind of information to utilize in the best manner," Ms. Gallagher said.

Some risk managers focused on specific improvements in RMIS.

Pierrete Ray, risk management officer for the city of Westminster, Colo., said she would like to be able to integrate the software supplied by different vendors, which is a "bit of a challenge."

And Robert Ozment, manager of corporate insurance for Ford Motor Co. in Dearborn, Mich., said he would like voice-responsive computers that would allow him to dictate directly to the computer, thus eliminating a lot of secretarial help.

Others answered more imaginatively.

One thing a computer still cannot do is answer some of the complaints a risk manger gets, said William M. Scott, risk manager for Ponderosa Inc. in Dayton, Ohio. When a computer that does that comes along, he added, "I'd buy it."

Robert Harney, risk management director for Hoffmann-La Roche Inc. in Nutley, N.J., quipped, "They don't make pizza yet, but they're coming close."

More seriously, Mr. Harney added that despite years of progress, "we've only scratched the capabilities" of computers. "I think risk management is still tapping the potential."

—By Judy Greenwald

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Claims systems generate savings in work comp bills

By CHRISTINE WOOLSEY

Workers compensation claims administration systems for self-insured employers are incorporating cost containment techniques that already have proven effective for group employee benefit programs.

Risk managers now have medical bill auditing, utilization review and case management capabilities at their fingertips when they process workers compensation medical claims.

And, for the first time, users of workers comp medical cost containment systems can provide statistical reports to senior management that quantify actual savings in medical bills generated by these programs.

"The workers compensation community is finally buying into the types of programs health insurers have been using for years," noted Dave Appel, director of economics consulting in the New York office of consulting actuary Milliman & Robertson Inc.

And, he said, these types of techniques are "becoming critical because of the generous structure of workers comp benefits."

In fact, some experts say employees who have felt the squeeze on their once-generous health benefits may try to get reimbursed under workers comp.

"If group benefits is so tightly scrutinized by software, they'll start having 'accidents' on the job," suggested David A. Tweedy, a senior consultant at Betterley Risk Consultants Inc. in Worcester, Mass.

"Medical costs are like shifting sands—they don't disappear, they just move from one area to another," agreed Jerry Buckley, president of California Interactive Computing Inc. in Northridge, Calif.

"There is a correlation between the decrease in health benefit costs and the increase in workers comp costs," he said.

"This whole issue of medical cost management has become such a hot topic," Mr. Tweedy said. "The major way, in a quantifiable fashion, you can demonstrate a financial payback" of cost control efforts in workers compensation "is through a medical cost containment component in a workers compensation system."

Experts agree that medical costs now comprise between 40% and 50% of workers compensation claim costs. Controlling those costs has become a top priority for risk management information system vendors.

For example, automated medical bill review "can reduce workers compensation costs by 15%," said George Cannon, a vp at Insurance Software Packages Inc. in Tampa, Fla.

"That is an incredibly significant amount. When you take into consideration that about 50% of the dollar on comp goes to medical, we're in the mega-millions," he said.

The latest improvement to ISP's Workers Compensation Management System is the capability to identify improper charges on reimbursement claims submitted by physicians.

In particular, the ISP system, as well as other vendors' systems, targets excessive charges resulting from the "unbundling" of physician services.

Mr. Cannon explained that when a physician submits a claim for reimbursement, each procedure the doctor performed on the patient is given a Current Procedure Terminology code. For example, a fracture of the forearm would be assigned its own numeric CPT code.

CPT codes are a widely accepted method to identify procedures for billing purposes. Medicare and most private insurers now require health care providers to use them.

However, some physicians attempt to obtain greater reimbursement for their services by manipulating CPT codes, Mr. Cannon said.

"A doctor uses a special code for repairing a fractured forearm with an incision and a pin," he explained. That same procedure may include immobilizing the fracture by applying a cast. Normally, the cast is included in the more global procedure

Continued on next page



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Spotlight report

Workers comp

Continued from previous page

code for fracture repair, but some physicians will submit a separate code for the cast, thus inflating the charge for those services, he said.

"It is only recently that workers compensation has seen the significance of stopping creative billing codes," Mr. Cannon said.

"We built into our claims administration system guidelines to prevent improper billing," he said.

The system reviews each claim's CPT codes and when it spots an unbundled CPT code, it alerts the claims processor or, when the employer requests that the system do so, denies payment of the claim.

In all cases, a formal message detailing the reasons for any reduced reimbursement is included on the explanation of benefits that accompanies the physician's payment.

However, the processor has the option to override the system if after further review he or she decides the charges are legitimate.

ISP's Workers Compensation Claims Management System, which runs on personal computers, costs an average of $24,000 completely installed.

Mr. Cannon said users of the system do not need extensive medical knowledge.

CIC's GenComp claims administration system also now has a module designed to catch unbundled CPT codes. The cost management module, developed by Softouch Software Inc. in Portland, Ore., uses "knowledge" data bases to alert users to billing discrepancies, Mr. Buckley said.

The software, available only since June, costs from $18,000 to $25,000, depending on the level of analysis clients request, he said.

Mr. Buckley stressed the importance of training claims processors to analyze medical bills properly. "They have to know something about how hospitals charge. You can't be a total novice—you need to have someone who can talk to providers" intelligently, he said.

San Francisco-based DAVID Corp. also offers a product designed to eliminate physician overcharges resulting from unbundling of CPT codes.

The company's CompPlus system, which was introduced in 1986, consists of a database of CPT codes and state fee schedules or relative value scales against which workers comp medical claims can be compared.

CompPlus is a personal computer-based system and costs about $50,000, including hardware and software.

In addition, the vendor added a letter processing module to CompPlus in January that lets payers choose the appropriate letter for explaining any reductions in providers' reimbursement.

For example, it may inform a physician that he has overbilled based on the maximum allowable charge according to the state fee schedule or relative value scale, explained Todd J. Struble, DAVID's director of sales and marketing.

Or, it may explain to providers that the reduction is based on state-mandated rules that prohibit paying the full charge for certain repetitive procedures like physical therapy sessions, he said.

Mr. Struble stressed the importance of communicating with physicians involved in workers comp claims.

Another technique software vendors are using to reduce workers comp costs is automated comparison of the amount charged for prescription drugs and injectibles with state fee schedules.

Several states—Colorado, Nevada, New York, Oregon, Texas and Washington—have implemented industrial fee schedules that are based on the average wholesale price of certain drugs and injectibles, said Christian Arndt, president of Cerritos, Calif.-

ASI's SpeedClaim Prescription(Rx) Manager "allows operators with two or three hours of training to review pharmacy and hospital bills to see if they conform with industrial fee schedules," Mr. Arndt explained.

SpeedClaim Prescription was developed as a response to client companies' concern over the rising costs of prescription drugs, he said. During user group meetings, clients expressed dismay over the constant fluctuation of drug prices, "sometimes from the same provider for the same items on the same bill," he said.

Out of the 40% to 50% of workers comp costs attributable to medical costs, 20% to 25% reflects charges for supplies and injectibles, Mr. Arndt said. "If clients can impact that by as little as 10%, it is a substantial impact on the bottom line."

Mr. Arndt said it is not uncommon for pharmacies or hospitals to charge 10% to 20% over acceptable rates.

And, sometimes the markups are much higher, he said. For example, Mr. Arndt said he has seen prescriptions for Ibuprofen, a common pain reliever, marked up more than 800%.

"Probably two-thirds of the bills coming in are marked up way above what the system allows," he said.

With the ASI SpeedClaim system, the claims processor enters the name of the drug, the claim number, the provider identification, the date of injury and the date of the bill, he explained. SpeedClaim, which contains a data base that includes a national drug number for various medications, then automatically verifies that the strength of the drug is appropriate according to the diagnosis, Mr. Arndt said.

When the processor enters the actual charges for the drugs prescribed, the dosage and number of pills provided, SpeedClaim calculates and displays what dollar amount the system would allow for that item vs. the actual charge.

Mr. Arndt said Medi-Span Inc. of Indianapolis provides the data base on drug costs to pharmacies. "Most pharmacies use Medi-Span to find out what the wholesale price and retail price should be," he said.

In addition, federal government bill review systems and Medicare "specifically named Medi-Span as an official pricing guide."

Mr. Arndt said clients have the option of adding another data base that would compare what Medicare would pay for particular prescriptions.

Hospitals and pharmacies operating within fee schedule states do not have much recourse when employers reject the submitted medication reimbursement claim, while providers in other states sometimes cause a fuss, Mr. Arndt said.

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THE HOM



OLD PROS ON

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"If there is a disagreement, we simply tell them, 'We know what you paid for it and we'll tell people to avoid you if you continue to bill this way.' "

The reports the system generates can tell clients, among other things, the average overcharge by various providers.

In addition, the system generates ad hoc reports that indicate the overcharge on a particular item and the average charge in a specific geographical area for that item. That capability can indicate "where a company operating the system needs to go to get the best price for drugs," Mr. Arndt explained.

Catching overpriced prescriptions has reduced prescription drug costs by 25% to 30% for ASI clients in California, he said. And, savings for clients in Washington are averaging 38% in their first six months of using the system, he noted.

"Those are the only two states we have reliable figures for at the present time and they are conservative estimates," Mr. Arndt said.

SpeedClaim Prescription costs approximately $35,000, including an annual $9,500 charge for monthly updates. The software can run on mainframes, minicomputers or PCs.

Mr. Arndt said the system is best suited for companies with more than 1,000 employees. "Because of the continuing cost of prescriptions, companies have to have a sufficient number of claims to cover" the initial cost of the system, he said.

Since CHX Inc., a Hayward, Calif.-based medical review organization, began using the system in December 1989, it has reduced prescription drug costs 40% to 45% for two client companies that have submitted a total of 500 claims, according to Meir I. Horvitz, program director at CHX.

As an example, he pointed out that a recent claim from a hospital included $1,766 in pharmaceutical charges. After running the claim through the ASI prescription fee schedule system, CHX agreed to pay the hospital $887—a savings of nearly 50%.

But, while fee schedule comparison is an important function of a workers comp claims review system, it will not be enough in the 1990s, risk management consultants say.

"Utilization review, second surgical opinion, the preferred provider organization concept—all have to become part of the package sooner or later," Betterley's Mr. Tweedy said.

"The most short-sighted, adversarial way to use a fee schedule is simply to use it to deny payment over the fee schedule limit," agreed Mark E. Dorn, a vp and principal in the Livonia, Mich., office of Tillinghast, a division of Towers, Perrin, Forster & Crosby Inc.

"Managed care has become the final destination for the HMO and PPO concepts of the early '80s. Now we have come to realize that can apply to workers compensation," Mr. Dorn said.

Tillinghast's latest addition to its Riskmaster software series is CM 9000, a module that, among other things, contains utilization review and managed care capabilities as well as fee schedule comparison data.

CM 9000 contains data fields that can monitor the quality of care or utilization, Mr. Dorn said. For example, "the number of stay days or the average amount of after care required for a particular procedure" can be measured against a client's guidelines, he said.

Using this data allows the client to "take a more pro-active role before or after they notice a trend," he explained. For example, an employer could approach a physician and "educate him on what level of care is expected."

CM 9000 can be purchased as a stand-alone system or combined with the Riskmaster workers comp claims administration system.

The cost of CM 9000 ranges from $10,000 for a PC version to $30,000 for a mini or mainframe computer, Mr. Dorn said.

In addition, clients pay $5,000 for each state fee schedule included in the data base.

There is "an increasing sophistication among all vendors," and those that don't have a comprehensive claims administration and medical review system "will have to get it soon," Mr. Tweedy said.

However, some vendors may have to accomplish that through joint ventures with software firms that specifically offer medical claims review software, he noted.

Corporate Systems Ltd. of Amarillo, Texas, has done just that with its CS-Plus Managed Care system, which was released in early 1989. By tapping into the expertise of 10 "niche vendors" around the country, Corporate Systems now can offer clients a single system to manage and review workers compensation costs.

Interest in CS's new system is "coming from all types of clients," including self-insured and self-administered employers, third-party administrators and insurers, according to C. Scott Gilmour, vp of marketing at Corporate Systems.

The system's capabilities, he said, include:

- Claims administration.
- Fee schedule review.
- State and client-specific claims handling requirements.
- CPT coding analysis.
- Hospital bill audits.
- Identification of claims needing peer review.
- Disability duration review.

This feature will indicate how long an employee should be off work based on the injury and the age and sex of the employee.

- Prescription drug cost review.
- On-line utilization review.

CS-Plus Managed Care helps employers monitor how many times a physician sees an injured employee and whether those visits fall within accepted norms, he explained.

The system compares an injured employee's claim data and medical history with nationally accepted medical treatment protocols. Those protocols were devised by a "panel of hundreds of physicians who meet regularly and for each diagnosis of injury come up with acceptable patterns of treatment," Mr. Gilmour said.

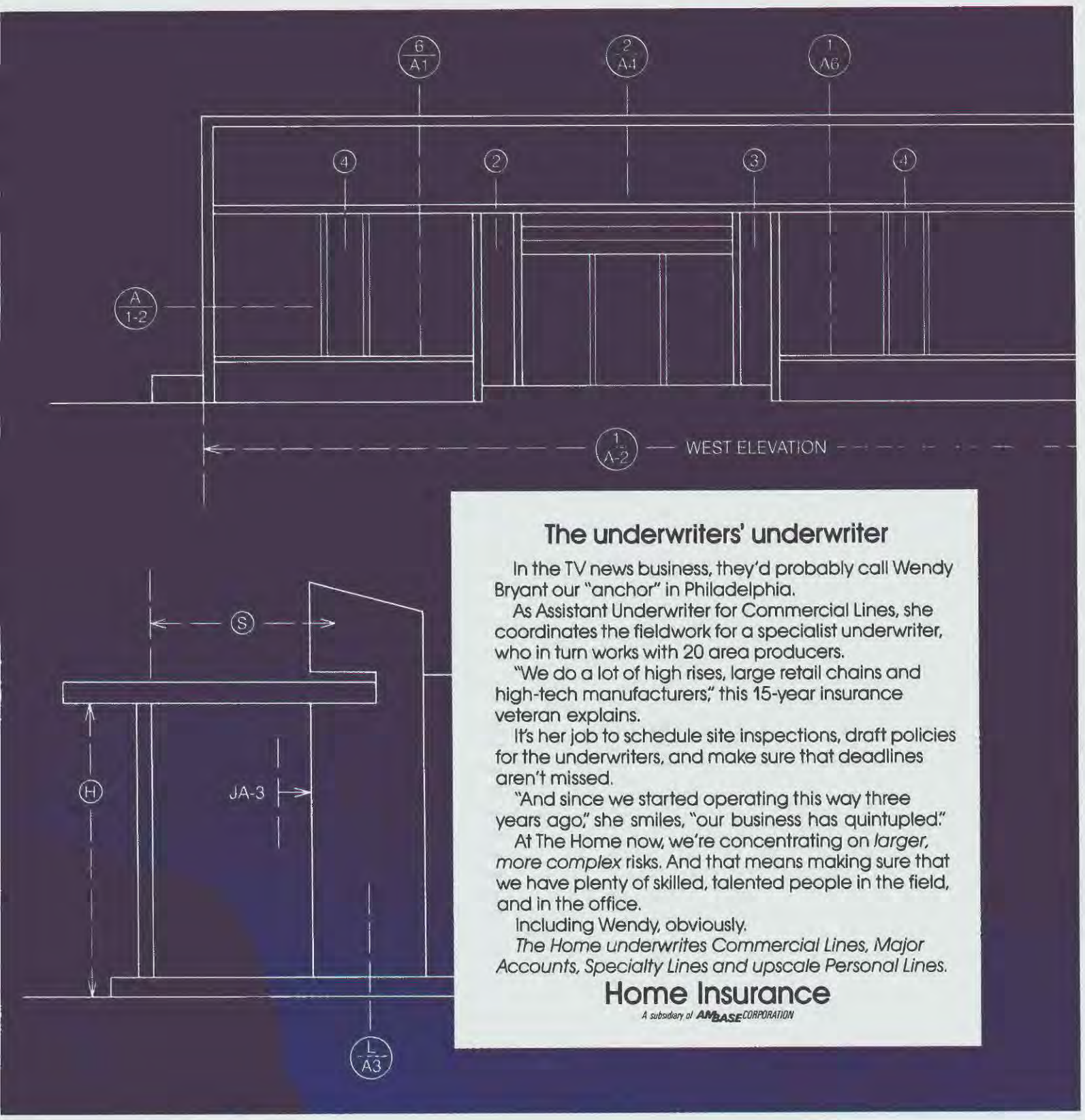
When a physician submits billed services that fall outside of the established norms, the claim is flagged for further analysis, he said.

Several UR vendors that are on-line with the CS system can return flagged bills to the claims processor via CS-Plus Managed Care within 24 hours, Mr. Gilmour explained.

He pointed out that comprehensive workers comp claims manage-

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Workers comp

Continued from previous page

ment systems offer an advantage over systems that merely review claims according to fee schedules.

"If you are just looking at a bill, you are not maintaining a data base," he said. "We keep medical information to track utilization and patterns of treatment" of various providers.

This information can indicate whether certain providers are "overtreating" patients, he said. "As doctors find they are having to charge according to a fee schedule or usual and customary rate, they have to bring the employee in more frequently for more services to maintain their income level," Mr. Gilmour noted.

In addition to generating management reports that pinpoint savings, CS-Plus Managed Care also produces a cover letter to physicians that includes a complete explanation of the reimbursement—even if nothing was changed, Mr. Gilmour said. "We think it will have a sentinel effect on doctors if they know their bills are being reviewed," he said.

The system currently is available only in a mainframe version, Mr. Gilmour said, noting that a client can either install the software on its in-house mainframe, or tap into CS's mainframe in Amarillo. However, CS plans to release a minicomputer version in the next six months, he said.

'We're seeing a 15% to 30% savings off total work comp medical expenses,' Mr. Gilmour says.

CS-Plus Managed Care eventually may be offered for use on a PC, "but with the number of tables and the amount of memory required to do all of the processing, it would be difficult," he noted.

The initial setup fee for the system ranges from $7,500 to $30,000. Clients also pay a charge per claim, ranging between $15 and $33, depending on the level of services the client requests. Updates and maintenance fees are included in the per claim fee.

Mr. Gilmour said early reports from clients show that the system is economically justifiable. "We're seeing a 15% to 30% savings off total workers compensation medical expenses," he said. And "for every dollar spent on our system, we're returning $7 to $9 back in savings."

Agnes Giuliano, risk management administrator at Champion International Corp. in Stamford, Conn., has been using CS-Plus Managed Care in Florida and Alabama since October 1989.

The pulp and wood products manufacturer employs about 30,000 workers and self-insures its workers compensation risks in eight of the 12 states in which it operates. Ms. Giuliano said the company's annual workers comp budget is about $20 million.

"Thus far in Florida, we've seen a 17% savings in medical costs," she said. No figures on Alabama were available.

"Senior management can read a lot of articles about cost containment and the advantages of getting an employee back to work, but it is very hard to quantify. This system allows us to quantify those savings," Ms. Giuliano said.

With the system, Champion found that some employees' treatment was inappropriate based on their injuries and that several physicians were performing too many procedures, she said.

Other workers comp software systems monitor an injured employee's progress while off the job.

"The person handling today's workers compensation management system should know the worker's functionality and his ability to return to work," said Doug Cain, a consultant in the Toronto office of The Wyatt Co.

In addition to monitoring the employee's physical condition, the Wyatt Worker System contains information about whether the employee has been offered modified work and, if the offer was denied, why.

The Wyatt Worker System is available in both personal computer and mainframe versions and costs about $10,000.

Workers comp software also can help employers track an injured worker's healing progress.

For example, Health Management Technologies Inc., a software vendor in Moraga, Calif., markets Return Plus, a PC-based system that monitors an injured worker's visits to physicians and other medical specialists. The system sells for $12,000 per workstation.

Return Plus also includes worksheets in which processors can input outcome information for case review, explained Karen Wolfe, president.

Case managers can ask injured employees about their care, including whether they were disappointed with their care.

With this information, "the employer can see if a particular provider isn't meeting expectations and they can go to the provider and try to change that," she said.

"The key with any of these systems is they provide an educated dialogue between people providing the care and those paying for that care," said Tillinghast's Mr. Dorn.

When a particular physician's treatment patterns consistently fall "outside the norm, as an employer you've got a method to understand why. Of course your goal is to get Mary back to work, but it is also good practice to make sure her care was adequate and she was satisfied" with that care, Mr. Dorn said. ■

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Spotlight report

NAIC meets demand for computer data

By MEG FLETCHER

KANSAS CITY, Mo.—The National Assn. of Insurance Commissioners is striving to keep up with the soaring demand from state regulators for computerized information that would allow them to better protect policyholders.

More regulators are also being trained to use the group's data bases, which include financial and market conduct information about insurers, producers and other insurance-related entities.

As a byproduct of its automation efforts, the NAIC also is developing and selling information that buyers of insurance—and insurers themselves—find useful.

For example, it sells solvency information generated by its Insurance Regulatory Information System as well as a service that automatically provides up-to-date valuations of an insurer's securities holdings (*BI*, June 27, 1988).

"Our goal is to relieve states of the burden of capturing information so they have more time to analyze it," explained Jim Rose, director of information services at the group's Kansas City, Mo., headquarters. That should help "improve the overall efficiency and effectiveness" of state insurance departments, he added.

Information services at the NAIC have undergone "very dramatic" changes in the past few years, noted Robert Stern, chief insurance examiner with the New York Insurance Department and director of the department's data processing services.

As a result, "insurance regulators have the most integrated and technically advanced computer system of any regulatory group," he said.

Several regulators in states of varying sizes say that the enhanced automation efforts help them with their primary mission: to identify quickly and take steps to control companies and individuals whose poor financial status or market practices may contribute to insolvencies and threaten policyholders with unpaid claims, or those who otherwise provide unacceptable services.

Lewis Melahn, director of the Missouri Division of Insurance in Jefferson City, calls the NAIC data "quite valuable."

Among other things, his department's 84 employees use the data in background checks on insurers and producers seeking state licenses. A few agent licenses and "probably" a few insurer licenses have been denied based on information gathered through computer links with the NAIC, Mr. Melahn said.

"Previously, if an agent in Wyoming or Nevada had his license revoked and he applied for a license in Missouri, it would have been very difficult to discover he had a previous problem in the insurance industry," Mr. Melahn said.

Even in New York, where the 700-employee department has done computer analyses of insurers domiciled in the state for years, regulators find the data helpful. The NAIC provides nationwide comparisons that extend the reach of the department's own computer analyses, Mr. Stern said.

The commissioner group began using computers in the early 1970s and has gradually expanded their use, said David Gates, a former Nevada insurance commissioner and NAIC president who now heads his own consulting company in Kansas City.

Individual regulators typically used the automation system to communicate with NAIC headquarters and request printouts of formal reports on data that was processed by the group's mainframe computer, he said.

However, it took several months to input data from the thousands of insurers' annual statements into the NAIC computer, Mr. Gates explained, noting that there was no cost-effective way to speed that process.

Not until 1987, when the group began a five-year enhancement of its computing capabilities, did its data bases become important regulatory tools, spokesmen for the group say. Those enhancements are to cost a total of $25 million to $30 million and are financed primarily by charging insurers higher fees when they file their financial statements.

At the heart of the new system is an IBM 3090 120E mainframe computer at NAIC headquarters. In addition, the NAIC also gave each state an IBM PS/2 Model 80 personal computer that allows states to communicate with each other as well as the headquarters. The PC also can process and analyze data itself.

Another cornerstone is a computer program that allows most insurers to file the information contained in their annual statements on computer disk rather than merely providing the familiar yellow-jacketed financial statements.

One NAIC staff member can now load diskettes containing all annual report information from 150 insurers onto the mainframe in a single day. Previously, it took one keypunch operator six hours to enter selected information for one company, Mr. Rose said.

In June, the NAIC reported that 3,904 companies filed their 1989 financial information using diskettes. Although these insurers represented only 87.2% of the 4,476 property/casualty and life/health insurers that file data with the NAIC, these insurers write nearly 100% of the nation's premium volume, spokesmen say.

The new system gives regulators faster access to the information, which has fewer errors than in the past, Mr. Rose said.

A state regulator could have computer access to financial data in a few days if necessary, though the NAIC usually takes about one month to cross check the entries before it is released for general regulatory use.

In addition to its system changes, the NAIC also has enhanced and de-

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NAIC data

Continued from page 26

loped several data bases, including:

- Financial analysis data.

Since 1972, the NAIC has been analyzing insurer financial information by calculating and analyzing about a dozen specific ratios for each insurer as part of its Insurance Regulatory Information System program.

The latest version of the IRIS data lists an insurer's results and provides an industry mean and median for comparison.

In addition, special software is automating field examinations of insurers. Some state examiners now carry portable computers with them to an insurer's office, which they can connect to the insurer's mainframe as well as to the NAIC data base and computer files kept by their own department.

By having on-line access to NAIC data bases, the field examiner can instantly compare insurer financial data to industry ratios and check the historical development of key financial indicators, like surplus.

"It's a great advance from green eyeshades and pencils," said James E. Long, North Carolina insurance commissioner and vp of the NAIC.

"It certainly enhances the quality of regulation" and helps examiners to issue reports faster, said New York's Mr. Stern.

- The State Data Network.

Regulators can obtain quick access to all data bases, including insurers' annual statements and information about insurers' securities, through the SDN.

State departments obtain about 60 reports daily through SDN.

State regulators can request customized reports or standard reports on topics like insurers' market share and guaranty fund allocations.

- The Regulatory Information Retrieval Service.

State regulators, like those in Missouri, use the service in background checks on applicants for licenses and other insurance entities like health maintenance organizations.

The RIRS data base lists those entities and individuals who have had final administrative or court orders entered against them. The actions can include fines, suspensions of license, rehabilitations and other disciplinary measures.

That data base, to which states have had on-line access since November 1988, is designed to help departments prevent a violator from repeating an infraction in another jurisdiction.

- The Special Activities Database.

Since last month, state regulators have been able to tap into SAD, which allows states to share timely information about suspicious or unusual actions by insurers, producers or others, which have not been adjudicated.

The entries identify the company or individual, briefly state the reason for inclusion—like a departmental investigation—and lists who to contact for more details.

Typically listed are "fringe players that haven't necessarily stepped over the line but have gotten pretty close," said the NAIC's Mr. Rose.

Developing SAD was a significant step, says the NAIC.

Regulators historically have been reluctant to share informal information about suspected individuals and entities because "of a fear of libel litigation against regulators by wrongdoers," according to a February 1990 report by the U.S. House of Representatives Subcommittee on Oversight and Investigations (*BI*, Feb. 26).

Mr. Long says it is still "absolutely critical" that states pass immunity statutes so that regulators and their informants can be protected from liability.

Lawyers for the regulatory group review all entries into SAD and issue disclaimers that inclusion of a business or an individual in SAD is not necessarily an indicator of wrongdoing or impropriety.

"I don't think the information in SAD would be sufficient to deny a license. You would have to investigate further," said Missouri's Mr. Melahn.

- Securities Valuation Office data.

The SVO, acting on behalf of all state insurance departments, determines uniform value of the securities in insurers' portfolios.

Analysts in New York now are in the midst of an automation program that will increase the timeliness of their valuations of insurers' securities, while substantially eliminating

Continued on next page

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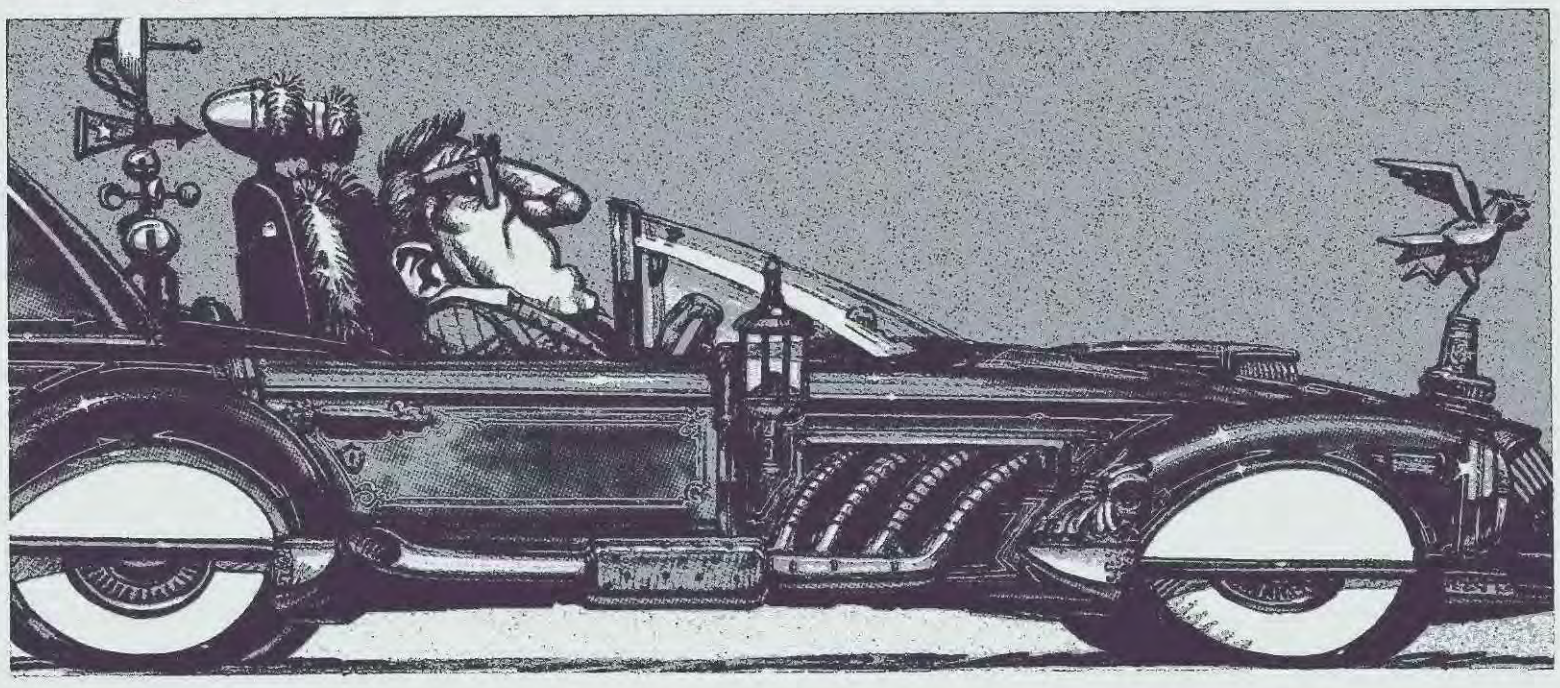
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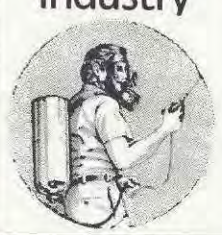
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NAIC data

Continued from previous page

paperwork and their dependence on external time-sharing computer service bureaus.

In addition to the NAIC's data base services, regulators in all 50 states can now send computer messages to, or receive them from, state departments as well as NAIC headquarters.

For instance, a state insurance department can send a message through the NAIC computer to indicate when a particular insurer will be examined, which increases regulatory coordination among states.

And, the NAIC will soon relieve individual state regulators of the burden of meeting a federal requirement to individually file information about Medicare supplement policies with the Health Care Financing Administration.

When a five-year computer enhancement project was begun in 1987, the NAIC's "biggest and wildest dream" was that many state insurance departments would seize the system and their middle managers would internalize its use in their everyday operations, Mr. Gates said.

However, the NAIC also worried that if this occurred, the popularity would create increased demands on the system. "That is what is happening now," he said.

There has been "an unbelievable growth spurt" in regulators' use of the system, the NAIC's Mr. Rose said.

By NAIC estimates, the number of individual users will swell to about 550 in July 1991 from about 50 at the start of 1988. In addition, the group predicts that 160 new users will join annually in the coming years.

For now, the group says its computer capacity is adequate for the increased use and it is considering buying more powerful computers.

"My goal is to reach as many of the 8,000 state regulators as possible to get this information at their fingertips," Mr. Rose said.

To achieve that, he has organized a wide variety of training and education programs as well as mechanisms for feedback from users about how to make the system more useful. Each state also received $1,000 a year for training costs.

While "the majority of states have been very responsive and very eager," some states are not, said Mr. Stern.

As a result, the NAIC, as a voluntary association, has to "sell" its programs to the states, Mr. Rose said.

Individual commissioners can take steps to overcome the reluctance of their staff, North Carolina's Mr. Long found.

Accountants and attorneys at the North Carolina Insurance Department in particular resisted computerization, said Mr. Long, himself an attorney.

However, Mr. Long took the computer training course, and any staffers who subsequently balked at computerization were reminded "that if he (Mr. Long) could do it, anyone could," he said.

Mr. Long now sends up to 50 computer messages a day and brings his own laptop computer to NAIC meetings and elsewhere.

"Our fight now is to get the information down to every person who needs it," New York's Mr. Stern said.

Other plans to expand the automation system are in the works or being discussed.

This month the NAIC began to develop a nationwide complaint data base. Details remain to be worked out, but the aim is to include information that may serve as a red flag to regulators.

"If a company is slow to pay on claims or fighting for every last dime, it can be predictive of financial difficulties," Mr. Long said.

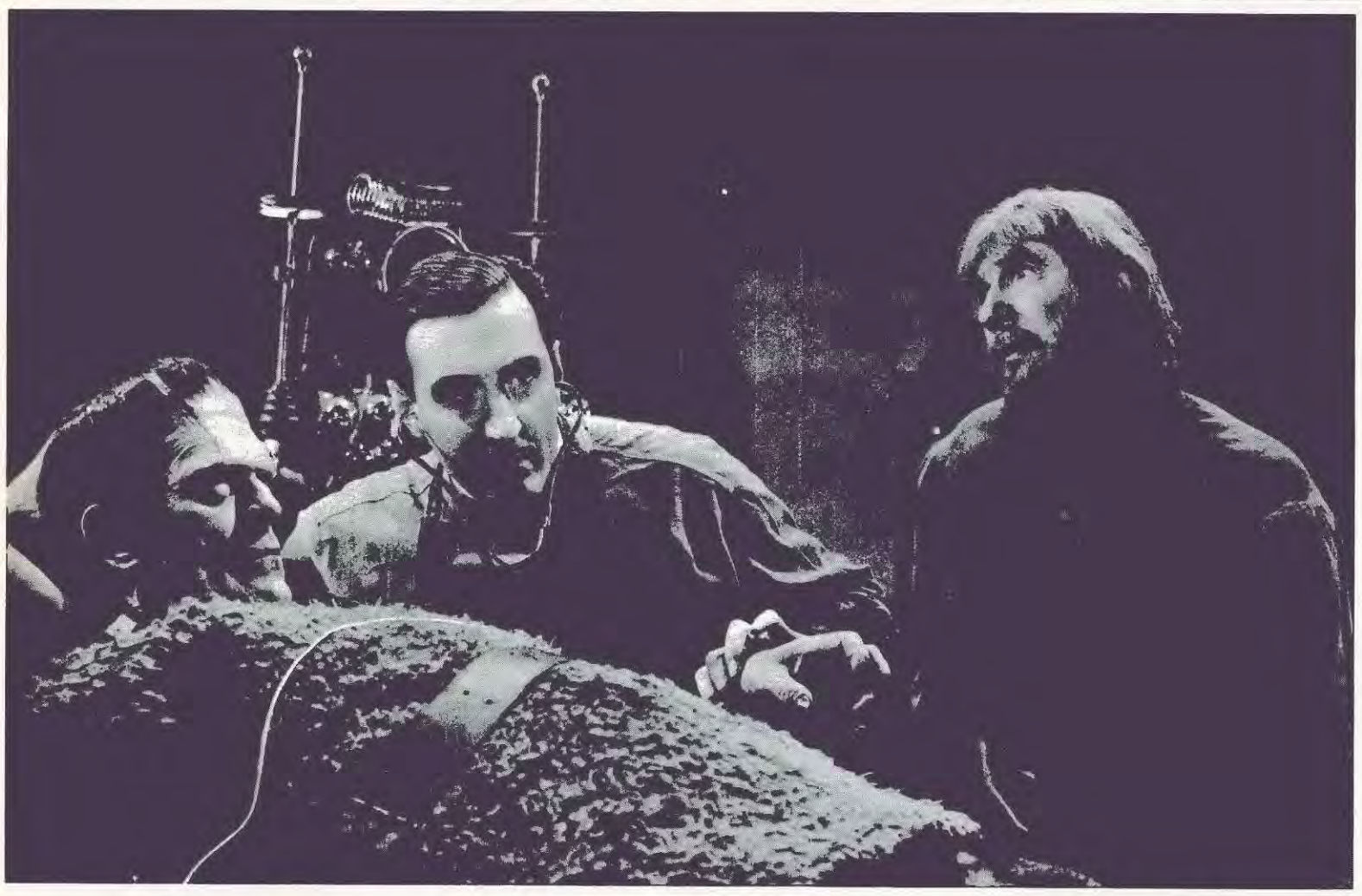
The NAIC also plans to provide computerized information on insurers' quarterly filings by May 1991, Mr. Rose said.

In addition to assessing its need for a larger mainframe computer, the NAIC also is exploring the feasibility of other automation advances, including CD-ROM technology. With CD-ROM, a single computer disc could have the capacity to store five years of annual statements for 5,000 insurance companies, he said.

One byproduct of the information developed for regulators is the data base products—like IRIS and SVO data—that the NAIC sells to insurers, consumers and others. The NAIC now collects $400,000 in revenues annually from these activities, one observer said, though Mr. Rose declined to comment on the amount.

Any data the group sells stems from information collected to meet regulators' needs, spokesmen say. Otherwise such sales could jeopardize the non-profit organization's tax status.

In addition, the NAIC has expanded its errors and omissions coverage to protect data processing personnel from potential damages if inaccurate information is inadvertently released. ■



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Spotlight report

RMIS becoming more advanced, flexible

By DEBORAH SHALOWITZ

Risk management information systems increasingly can deliver more detailed, timely and flexible information, experts say.

And systems now can operate on more kinds of equipment and integrate with more data bases.

However, those expanding capabilities and complexities make user training and education increasingly important (see story, page 38).

"The flexibility of reporting is probably the single largest advancement" of risk management information systems in the past year, said Robert Petrie, assistant vp in charge of risk management for Johnson & Higgins in New York. Users "have the ability to customize how they use their data to a much greater extent" than previously.

There is a "trend to much more detailed analysis" of information, according to Kenneth Martino, director of Travelers Cos. Risk Management Information Services, a Travelers Corp. unit in Hartford, Conn.

Early RMIS were oriented toward financial management, providing claims and loss information previously available only from hard-copy loss runs.

Today, more flexible computerized management information systems allow users to manipulate claims, loss control information and other data.

The data—including information on coverages, reserve levels for self-insured programs, claims, settlements, and employee accidents and workers compensation records—can be run on personal computers, minicomputers or mainframes.

Several systems have been enhanced to provide risk managers more detail about claims.

For example, the Tillinghast division of Towers, Perrin, Forster & Crosby Inc. has added an "employee occurrence module" to its RISKMASTER Software Series (PC), noted Mark Dorn, vp and principal with Tillinghast in Livonia, Mich.

This module allows risk managers to put information such as health profiles, vaccinations, physicals and exposures to hepatitis, acquired immune deficiency syndrome and other diseases into employee records without distorting the company's claims data base.

And users of Hartford Specialty Co.'s OSCAR system can now maintain historical claims data on each file, said John MacDonald, senior vp of the Hartford Insurance Group unit in Hartford, Conn.

Early next year, Hartford plans to introduce Claim Automated Strategy, a system that will allow users to look at any claim in the United States on a PC, according to Mr. MacDonald.

Hartford developed this capability because risk managers in focus groups said, "Don't kill us with paper," he added.

At The Wyatt Co., which is just beginning to market its own RMIS products, a PC-based program called Risk Manager's Assistant allows about five pages of text to be added to the data maintained about each claim, noted Mike Cetera, a Wyatt consultant in Chicago.

The particular details risk managers are looking to incorporate into their RMIS vary considerably from company to company.

Mr. Petrie of J&H said many want to be able to put more detailed automated codes on accident claim forms, such as the number of days since the worker's last training session, the number of hours the employee had been working before the accident, the employee's supervisor and the specific machine involved in the accident.

Risk managers for service companies need different information than those working for manufacturers, he said. For example, at service companies they may need the ability to track stress claims.

Increasing customization often allows risk managers to get just what they want from a RMIS program.

For example, the claims administrator of a transportation company working with Anistics Inc. thought he had detected a pattern of accidents or near-accidents at a certain intersection, said Karen Foley, national director of Anistics.

So Anistics, an Alexander & Alexander Services Inc. unit in New York, developed an automated analysis of factors related to the accidents, such as when they occurred.

There is a 'trend to much more detailed analysis' of information, says Kenneth Martino.

In addition to more details, risk managers "want much more instantaneous information," observed David Tweedy, a senior consultant with Betterley Risk Consultants Inc. in Worcester, Mass.

A new program from Risk Sciences Group Inc. delivers detailed information almost instantly, said Richard Denning, president of the Atlanta-based company.

An enhancement to its SIGMA System called the Early Response Accident Reporting System allows multi-location clients to report accident information immediately via a toll-free telephone maintained by the client. Once the information is entered into the computer, a summary is faxed back to a local adjuster, said Mr. Denning.

Those reports, according to Mr. Denning, contain considerable detail.

As an example, he cites a national retailer that uses the system to monitor the location of all accidents. Because all its stores have identical floor plans, the company will over time be able to pinpoint problem areas, he said.

C. Scott Gilmour, vp of marketing for Corporate Systems in Amarillo, Texas, noted that an enhancement to CS Teleclaim, a feature of CS Online, automatically transfers information to a client's claims data base as soon as it is received by the Corporate Systems mainframe.

Accident data also can be transmitted from the Corporate Systems mainframe to an insurer or a third-party administrator. "We're making the computer work for us to communicate the data," said Mr.

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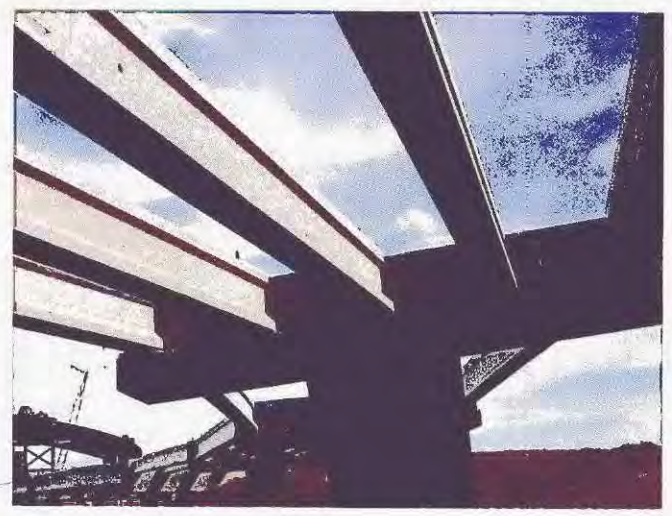
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RMIS popular among risk managers

System Vendor	Number used by risk managers directly	Year first installed	Average prices[1]	Type of hardware needed
CS Online Corporate Systems	1,855	1978	Varies	mainframe
SISDAT Crawford & Co.	621	1975	$12,000	mainframe
RISKMASTER Software Series (PC) Tillinghast division of Towers, Perrin, Forster & Crosby Inc.	480	1982	$12,000	personal computer
Sailor On-Line The Travelers Cos.	450	1985	Varies	mainframe
OSCAR Hartford Specialty Co.	250	1980	$15,000 per year	personal computer with modem
PCMS/Incident Reporting & Claims Management System Cantor & Co.	180	1985	$10,000	personal computer
SIGMA System (Service Bureau Services) Risk Sciences Group Inc.	135	1978	From $15,000	personal computer with modem

1 Prices are based on first year of service; costs vary according to claim volume, data base size, utilization, access charges and additional services.

Source: Vendor questionnaires & interviews

BY CYNTHIA WATSON

Continued from previous page

Gilmour.

Experts agree that cost control is the primary reason why risk managers want detailed information quickly.

"Cost control is the word for the 90s," Mr. Tweedy said.

A "conceptual change" has occurred in RMIS, observed Mr. Denning.

In the 1970s and 1980s, "risk financing was driven from an accounting point of view," he explained. Now the environment is "much more cost-containment."

Risk managers are looking to reduce claims costs, manage litigation effectively and buy services such as claims adjusting and brokerage more efficiently, Mr. Denning said.

Rather than looking for details about just the claim itself, risk managers now want "more information on the service provider side," such as how quickly a claim was paid and how many cases an adjuster has, Mr. Tweedy agreed.

Another enhancement to Corporate Systems' CS Teleclaim is designed to save money, Mr. Gilmour noted.

Once Corporate Systems receives information about an accident via telephone, its computer automatically produces all the forms and reports that a client company requests, including those required by state and federal agencies, such as the first report of injury, an accident report and an Occupational Safety and Health Administration log, Mr. Gilmour said.

According to Mr. Gilmour, generating those reports electronically cuts their cost from $65 to $90 per claim to $15 to $20 per claim, even including phone and computer costs.

Risk managers also are looking for more flexibility in their RMIS, according to experts.

One reason: Often a risk manager is not the only one using the data, several experts pointed out.

Mr. Martino of Travelers said that when claim and loss information is to be reviewed by high-level executives, risk managers need to be able to produce reports with graphs and charts that "make it easier for upper management to understand the numbers."

As retention levels rise, companies pay million-dollar claims, said Mr. Daniels of Risk Sciences. "The risk manager doesn't write that check, the financial officer does," so risk managers need to be able to present their data to upper management.

Risk managers have unlimited custom reporting capabilities and the option of storing those and other standard format reports in a report library with PCMS/Incident Reporting & Claims Management System, sold by Cantor & Co. in Beverly Hills, Calif., according to Alan Cantor, president.

And, as an enhancement, users are now able to create a custom graph on a matrix format, Mr. Cantor noted.

In addition to having expanded flexibility within RMIS programs themselves, risk managers increasingly have the option of running programs on different equipment.

Litigation Management System from Risk Sciences, which allows users to track the performance of their attorneys, compare the performance of different law firms, see witness lists, compare the similarity of the case to other cases, track the records of judges and monitor billing hours, is now available for PC use, noted Andrew Daniels, Risk Sciences' managing vp of marketing and business planning.

"Software is much more sophisticated" and has "much more integration capacity," said Betterley's Mr. Tweedy.

And the flexibility of some RMIS will increase significantly because of an operating system developed by IBM, noted Tillinghast's Mr. Dorn.

IBM's UNIX allows the same software to run on PCs, minicomputers and mainframes, he continued.

"It's like being able to move your house to a new neighborhood where you have more space to add on and different landscaping to take advantage of and you might like your neighbors more," Mr. Dorn explained.

Tillinghast this year introduced a version of its popular RISKMASTER program that runs on UNIX, he said.

As technology advances, RMIS will improve markedly, experts say.

Among the most important features of future systems will be a so-called seamless integration ability that allows users to gain access to any data within their orga-

Continued on page 38



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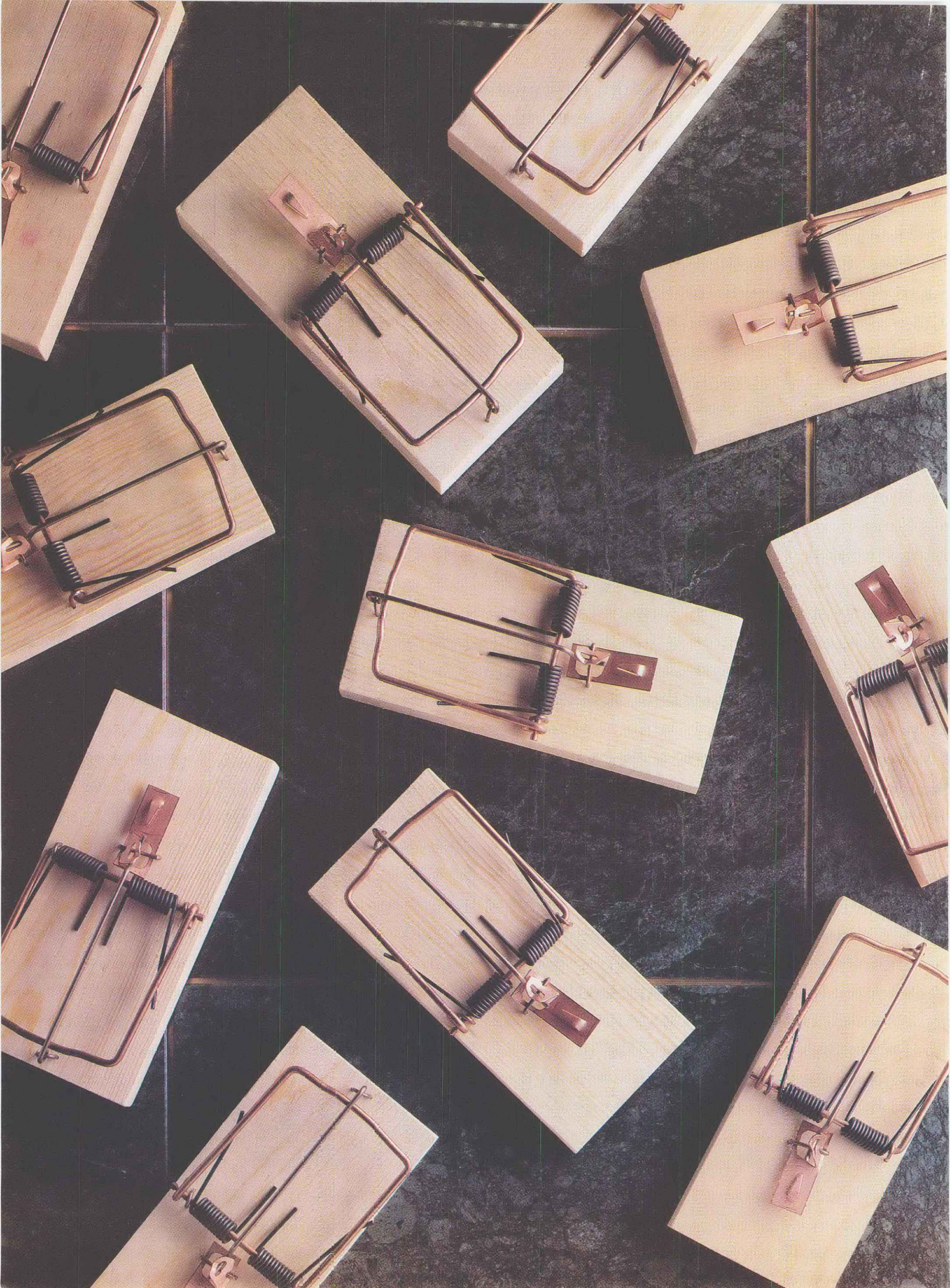
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Justifying RMIS buy

Cost/benefit analysis may sell senior management



PERFORMING A cost/benefit analysis is the key step in justifying any significant investment in a risk management information system. This holds true whether you are designing a system from the ground up or making significant modifications to an existing system. The cost/benefit analysis essentially provides senior management with the reason for investing in a system, while helping to quantify the diverse elements of an RMIS: software, hardware and support personnel expenses.

Today's complex and pressing business environment demands a positive payback or return on investment for any significant projects that require capital investment. Therefore, careful thought must go into developing the cost/benefit analysis. Last month's column on the needs identification/needs assessment process (*BI*, June 25) is instrumental in providing the specific information from which to derive a focused cost/benefit analysis. Olympian statements on the value of an RMIS must be supported by hard-core statistics in order to justify such a change.

Designing a cost/benefit analysis involves a clear discussion of the options under consideration, which are developed from the needs assessment study, and then a careful assignment of costs in terms of dollars and time.

The most common format would be, essentially, to set up a spreadsheet with two different columns—obviously, one for costs and the other for benefits.

Each table should itemize expected costs or savings in one column and then run a number of columns to the right of those items equal to the expected number of years over which you desire to measure those costs.

For example, hardware and software costs can be amortized over a three- to five-year cycle, based on their current life expectancies, although that decision is subject to your own situation.

Some of the cost items to include in the analysis are:

- Cost of the feasibility study and hardware.
- Software costs, which also include the cost of desired modules like loss forecasting, cost of risk allocation, claims monitoring and report modules.
- Conversion costs, if you are switching systems.
- Telecommunications costs.
- Training and related costs.
- Intangibles, such as the cost of custom creation of certain applications, expansion of the system, etc.

This is just a sampling of the cost items that should be included. Obviously, initial start-up costs will vary according to the type of system purchased.

A stand-alone or microcomputer-based project will initially have a large expense because of the purchase of the required hardware and some conversions that must take place to run a new software package.

On the other hand, under a mainframe/timesharing set-up, there will be higher ongoing costs for technical expertise and telecommunications. The important thing for the risk manager is to get these costs down on paper, design a system of amortization for these expenses and total the costs for each of the years covered in the analysis.

Without a careful plan, senior management will be unlikely to authorize investment in the system.

The system for analyzing the benefits of a RMIS is somewhat more esoteric, but it is an absolutely critical exercise for the risk management professional because it is here that the justification for the purchase of the system will be made.

The table for analyzing benefits should be similar to that for analyzing costs. The left column should include those savings estimated to result from the RMIS and the same number of years for benefits to accrue should be included as were included in the cost analysis table.

Some of the potential benefits include:

- Claims administration.

Because the RMIS can help the risk manager monitor the effectiveness of the claims administrator or insurance company, a reasonable estimate of reduced cost per claim is possible.

The desired benefit is the claims organization's improved performance. It is my experience that the RMIS, much like a claims audit, will cause the organization to work harder because they know they are being watched.

For example, a close watch can be kept on the timing of claimant contact, reserve fluctuations and justification, adjuster caseload and the efficiency of settlement negotiation and resolution.

Finally, quantifiable expense reduction can be estimated if the RMIS has a medical and legal fee monitoring/adjusting ability.

- Evaluating alternatives.

Another major use of the RMIS—decision support—involves the ability to set up simulations and models and compare various financial plans.

Such devices as cost of risk allocation can produce benefits in reducing an organization's overall cost of risk as department heads have to deal with their own department's efficiency.

The improved performance of these departments will generate savings that should be estimated in the cost/benefit analysis.

Overall, the analytical capabilities of the RMIS will help the risk manager decide on the most cost-efficient method for dealing with the company's risk; and selection of the correct method may produce hundreds of thousands of dollars in savings—savings that might not be realized or discovered without the addition of the RMIS.

- Loss prevention.

This may be the most powerful element on the benefit side of your analysis.

Through the analytical and claims management capabilities built into a well-designed RMIS, problem areas in an organization can be identified far more quickly than in a manual situation.

For example, the risk manager may find, through analysis, that a certain shift at one of the subsidiary manufacturing plants is generating a high frequency of back claims and increased workers compensation costs.

Awareness of that trend may reveal unsafe working conditions and poor safety management techniques. It will then be possible to focus on and solve the underlying problems, thus resulting in savings because the "expected" accidents have not occurred.

The desired result of any decision to implement a risk management information system is a positive cash flow after a reasonable amount of time.

Again, the timeframe will vary from company to company. It may be that the first two or three years may result in a negative cash flow, as start-up costs and ongoing expenses exceed expected savings, but this hypothetical company may find that, after that start-up period, the implementation of the RMIS results in substantial savings, especially if medical costs have been paid without attention to reasonableness and accuracy.

I recognize that in doing a cost/benefit analysis, assumptions will be made by the risk manager, especially regarding potential benefits.

Knowing his or her company and observing real-life examples of savings from the implementation of an RMIS are the keys to constructing a cost/benefit analysis.

Vendors and consultants can provide industry data and examples of successes—and failures—of system applications.

These resources should be tapped but, above all, the cost/benefit analysis is an essential task that should be performed by the risk manager before requesting or implementing an RMIS.

Without a careful analysis, senior management will be unlikely to authorize the investment in the system and, even if they do approve the funding without seeing a cost/benefit analysis, they undoubtedly will want to see proof of some tangible return on the investment.

If the risk manager has not done his or her homework, it could be an embarrassing situation if the RMIS turns out to be a "boondoggle." In addition, the cost/benefit analysis is helpful to the risk manager because it better quantifies his or her needs.

The realities of cost may temper the desire for "bells and whistles" of very sophisticated systems that may not return any tangible benefit in a particular application.

A cost/benefit analysis forces reality into the risk manager's consideration of a risk management information system, and it is therefore a healthy—and a necessary—exercise. ■

David A. Tweedy is a senior consultant for Betterley Risk Consultants Inc. in Worcester, Mass. He is the editor of Betterley Risk Management Commentary and the author of RMIS Update, a yearly publication analyzing major risk management information systems and vendors. Mr. Tweedy's column on risk management information systems appears the third Monday of the month.



RMIS trends

Continued from page 33
nization, regardless of whether it is contained in the RMIS.

"The risk managers with vision want the RMIS to blend in with the total management information system of (their) organizations," Mr. Tweedy noted.

In the future, risk managers may see a seamless system of data incorporating strategic planning, personnel, finance and accounting, he predicted.

Seamless systems are "a trend that I see being requested and I think it's going to happen," said Wyatt's Mr. Cetera. Risk managers want "an ability to access other data sources within their systems."

Hospital risk managers, for example, "have been very much intrigued with the ability to link with personnel files and patient records," he said.

Artificial intelligence could also be important for future RMIS systems, Mr. Tweedy said.

"There's some underwriting software that uses artificial intelligence," and eventually risk management software may use it also, he said.

For example, artificial intelligence in an RMIS would factor a person's age into calculations on how to set reserves for potential claims, he explained.

Risk managers want 'an ability to access other data sources within their systems,' Mr. Cetera says.

This would "take some of the hocus-pocus out of setting reserves," Mr. Tweedy continued.

Risk managers can look forward "a ways in the future" to "expert systems" that would actually do some analysis, noted Travelers' Mr. Martino.

For example, a risk manager might program the system to track losses in different divisions of a company and automatically notify the risk manager if losses exceeded a certain level, Mr. Martino explained.

Risk managers also can look forward to the incorporation into an RMIS of image processing and optical scanning devices that will record claims data electronically without manual input, several of the experts noted.

And, interactive video may at some point be incorporated into an RMIS, said Ms. Foley of Anistics.

She explained that training programs, cost-of-risk allocations and what-if scenarios all would be good candidates for interactive video technology. ■

RMIS advances create demand for user training

By DEBORAH SHALOWITZ

As the capabilities of risk management information systems increase, the need for proper training and education of users is growing, experts say.

Training is "the single biggest key to succeeding with any risk management program," said Mark Dorn, vp and principal with the Tillinghast division of Towers, Perrin, Forster & Crosby Inc. in Livonia, Mich.

Education is "the truly biggest issue holding back the individual," Mr. Dorn said.

As RMIS become more popular and more complicated, "the need for basic computer education grows," said Alan Cantor, president of Beverly Hills, Calif.-based Cantor & Co.

"We have to make systems available for non-system people," commented Richard Denning, president of Risk Sciences Group Inc. of Atlanta.

"We think we have to offer more consulting to (risk managers) on how to use the RMIS," agreed C. Scott Gilmour, vp of marketing at Corporate Systems of Amarillo, Texas.

Rapid turnover, experts noted, is one of the biggest obstacles to properly training users.

Turnover is "the biggest single problem in our industry," said Mr. Dorn.

"We're finding that the turnover of the (RMIS users) in our clients ranges from 15% to 20% per year," Mr. Cantor said.

And, he added, "70% of those (new) people know little or nothing about computers."

He suggested greater use of videos and personal computer disk tutorials in training.

'We have to make systems available for non-system people,' says Richard Denning.

A disk tutorial is a program designed to show a PC user how to use the program.

Most disk tutorials offer choices of actions to users. They also tell the user how to select those choices.

"The disk tutorials have been very useful," Mr. Cantor said.

"The tutorials save us and our users thousands of man-hours per year," he added.

Cantor & Co. is developing a video with the Shriners Hospitals for Crippled Children to train all quality assurance and risk management personnel at the 22 Shriners hospitals to use Cantor's PCMS/Incident Reporting & Claims Management System, Mr. Cantor noted.

"The videos are going to help significantly in reducing the responsibility of continuing education," he said.

Also, the videos "will help them save money in retraining," Mr. Cantor added.

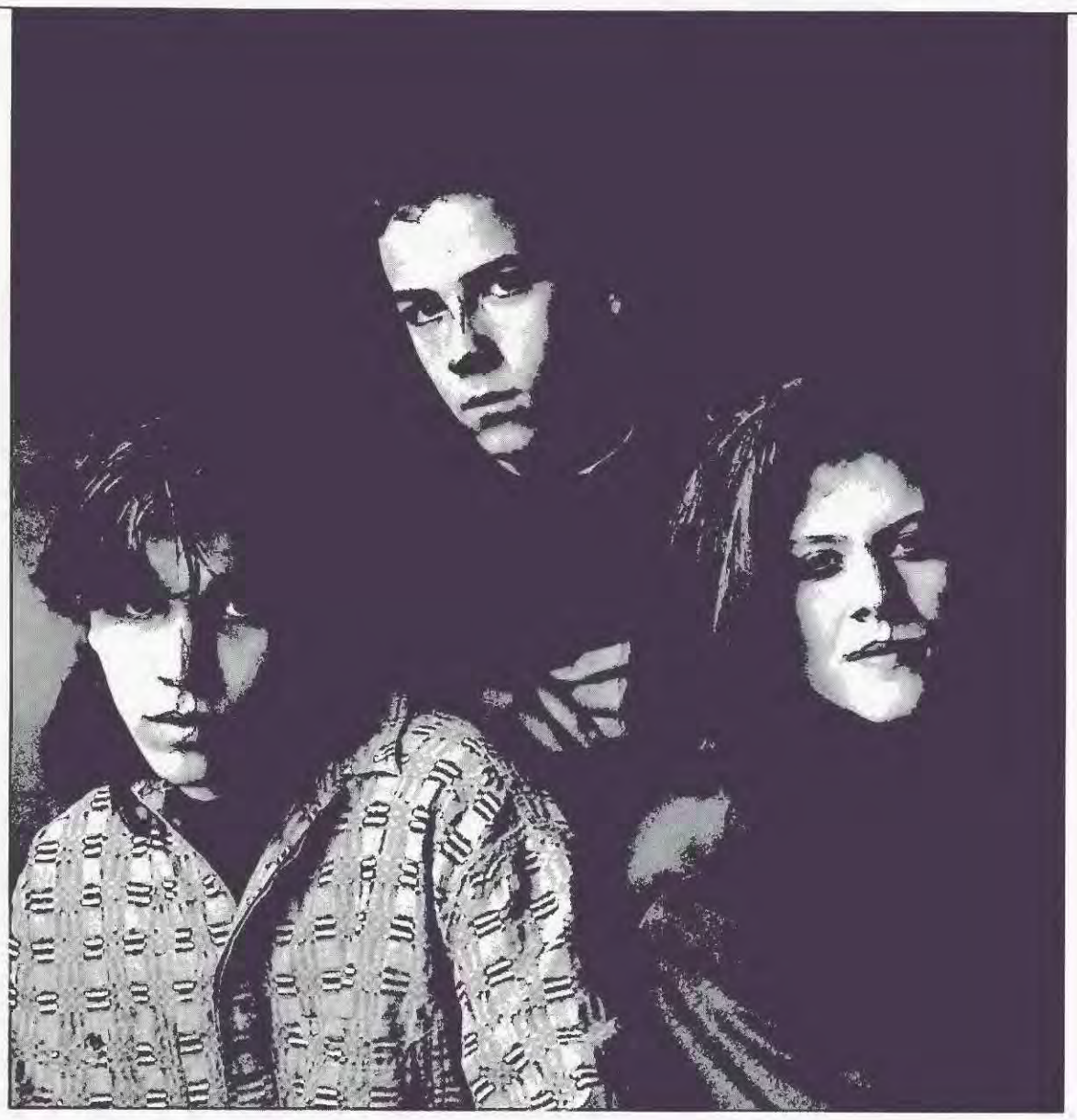
At Tillinghast, training is done in three stages.

The first level, conducted before the RMIS is installed, focuses on how to integrate the system into the company's whole risk management process, according to Mr. Dorn.

Next is on-site training in how to use the features of the product. And third, he said, is a more advanced session to answer clients' questions after they have used the system.

Mr. Dorn recommended that training sessions last at least two days.

"Most people have a 25% retention rate of anything they're taught in one day," he said. After two days that rate rises to 45% to 65%, he added. ■



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RMIS growth seen for smaller firms

By DEBORAH SHALOWITZ

Risk management information system vendors see a bright future for themselves, even though the majority of large companies already have purchased some sort of RMIS.

Sales opportunities abound in small- to medium-sized companies still lacking a system and in larger companies looking to upgrade their current RMIS, experts say.

It is "clearly, clearly not true" that the market for RMIS is saturated, said Robert Petrie, assistant vp at Johnson & Higgins in New York.

"I don't see a saturation from my perspective," agreed John MacDonald, senior vp at Hartford Specialty Co., a unit of the Hartford Insurance Group in Hartford, Conn.

"There is a surge in interest in systems," said C. Scott Gilmour, vp-marketing at Corporate Systems Inc., a vendor in Amarillo, Texas.

"There are plenty of opportunities" in the RMIS market, said Mike Cetera, a Wyatt Co. consultant in Chicago.

For example, a fair number of small- to medium-sized companies still handle claims administration manually, he noted.

Karen Foley, national director of Anistics Inc., a New York-based subsidiary of Alexander & Alexander Services Inc., noted that when a company begins automating tasks, it generally starts with payroll, follows with inventory, and then employee benefits.

Risk management usually comes later, she said.

According to several experts, resistance to computers among small- to medium-sized businesses is waning. As society becomes more comfortable with computers, so will risk management, they reasoned.

Even small businesses are "becoming more acclimated to computers," Wyatt's Mr. Cetera said. "The whole area of PC-based data processing is growing. It's very easy and convenient to include an RMIS system" in a company's initial venture into computers, he added.

Experts also expect growth in sales to companies interested in a new RMIS or in upgrading their current system (see story, page 32).

"We're talking to a lot of people who are going from a first generation to a second generation," Mr. Petrie said.

"Most of (our) prospects have been on one system or another and are looking for a new system or an upgrade," Mr. Gilmour noted. For example, a company which has outgrown the system it purchased five years ago is a potential buyer again, he explained.

"As the marketplace becomes more educated as to what is available now, then those people who are in relatively secure positions. . .may be able to justify replacing" their RMIS, said Alan Cantor, president of Beverly Hills, Calif.-based Cantor & Co.

Even those experts who think the RMIS market is fairly saturated say opportunities remain.

There is "a certain degree of market saturation" in the typical insured marketplace, noted Mark Dorn, vp and principal with Tillinghast, a division of Towers, Perrin, Forster & Crosby Inc. in Livonia, Mich. "At the same time, the saturation is being overcome by a more sophisticated client trying to buy a more sophisticated" system.

Although a majority of risk managers may have an automated claims handling system, there is "no saturation for specialized application" of RMIS, Ms. Foley said.

"The self-insurance market keeps our market new," Mr. Dorn commented. Self-insuring companies may want to handle services in-house, instead of purchasing them from an insurer.

David Tweedy, a senior consultant at Betterley Risk Consultants Inc., in Worcester, Mass., said that "there's a fair amount of market saturation among larger employers."

However, "different markets are becoming more available," Mr. Tweedy noted.

For example, insurance companies, which have been RMIS vendors for years, are now purchasing the systems for their own use.

More than 90% of the Fortune 500 companies have an RMIS, "so we have to be involved with companies that are making transitions" like mergers and acquisitions, observed Richard Denning, president of Risk Sciences Group Inc. in Atlanta. ■

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Directory of RMIS software vendors

A

A&S Consultants Inc.

292 Main St., Northboro, Mass. 01532; 508-393-8228

Year founded: 1978.
Software products:
• Riskwatch II: $15,000; bundled or unbundled hardware and software; minicomputer; year of first installation, 1988; 10 total installations, five in risk management departments; functions include claims administration, safety, loss development, check writing and reporting.
• Riskwatch: $1,000; unbundled hardware and software; personal computer; year of first installation, 1987; 30 total installations, 16 in risk management departments; system is designed to monitor claims activity and loss prevention.
• Riskwatch-Check Writer: $3,000; unbundled hardware and software; personal computer; year of first installation, 1989; five total installations, two in risk management departments; functions include check writing, safety, reserves and forms.
Staff: Six total, five professionals.
New clients: 18 total; 60% with gross revenues less than $200 million, 30% $200 million-$500 million, 10% $1 billion-$3.5 billion.
User support: Telephone assistance available eight hours per day, on-site support for clients.
Principal officers: Carol Nashawaty, president; Nancy Schwartz, treasurer.

Anistics

220 E. 42nd St., New York, N.Y. 10017; 212-972-9600; fax: 212-972-9612

Year founded: 1970.
Parent company: Alexander & Alexander Services Inc.
Software products:
• Customized Micro Applications: unbundled hardware and software; personal computer; year of first installation, 1983; 100 total installations, all in risk management departments; functions include claims tracking, query and reporting; policy expiration, litigation management; contract tracking; property management.
• Policy Digest: $5,000; unbundled hardware and software; personal computer; year of first installation, 1984; 75 total installations, all in risk management departments; functions include policy tracking and reporting, premium payment, tracking and reporting.
• Claim Data Consolidation & Reporting Services: $20,000 and up; unbundled hardware and software; personal computer; year of first installation, 1979; 60 total installations, all in risk management departments; functions include consolidation, unification and updating of claims database from historical sources; data validation and correction; exception reporting; management reporting.
Staff: 67 total, 48 professionals.
New clients: 35 total; all risk management department clients; 5% with gross revenues less than $200 million, 5% $200 million-$500 million, 75% $500 million-$1 billion, 10% $1 billion-$3.5 billion, 5% with more than $3.5 billion.
User support: User groups and meetings, telephone assistance available 24 hours per day, on-site training for clients.
1989 gross revenues: 60% from sale of software, 40% from services.
Branch offices: Atlanta; Dallas; San Francisco; Toronto; London; Sydney, Australia.
Principal officers: Karen G. Foley, national director; Wayne E. Seel, senior vp/national director-systems consulting; Harry L. Shuford, senior vp/national director-financial consulting; Bernie S.Y. Fung, managing director-Anistics Ltd. (Canada); Alan Punter, managing director-Anistics Ltd. (London); Gerard Vandergaag, managing director-Anistics Pty. (Sydney).
Contact: Thomas V. Ealy, national director; sales/marketing; Barbara Jacobs, vp-sales/marketing; Teresa Quarante, vp-sales/marketing.

Armada Software Inc.

13737 Artesia Blvd., Suite 206, Cerritos, Calif. 90701; 213-404-0549; fax: 213-926-7241

Year founded: 1986.
Software products:
• Speedclaim Claims Manager: $35,000; bundled hardware and software; minicomputer or personal computer; year of first installation, 1983; 14 total installations, all in risk management departments; system is designed to review and manage workers compensation claims.
• Speedclaim RVS-Medical Manager: $25,000; bundled hardware and software; minicomputer or personal computer; year of first installation, 1986; 22 total installations, 16 in risk management departments; system is designed to review medical bills for relative value scale compliance.
• Speedclaim Prescription (Rx) Manager: $35,000; bundled hardware and software; mini computer or personal computer; year of first installation, 1988; four total installations, all in risk management departments; system is designed to review claims for pharmaceuticals and injectibles.
Staff: 11 total, six professionals.
New clients: Six total; 14 risk management department clients; 60% with gross revenues less than $200

Continued on next page

How to use directory

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

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

Information on **software products** follows. Included are the average completely installed price, whether the software and hardware are bundled or unbundled, the type of hardware needed (mainframe, minicomputer or personal computer), the year of the first installation, the total number of installations to date, the number of installations to date in corporate risk management departments and the functions the product performs.

Information on **staff, new clients** who purchased systems in 1989, continued **user support**, locations of **branch offices, 1989 gross revenues** and names and titles of **principal officers** follow. The name of a **contact** at the company for those wishing more information completes the listings.

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

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Continued from previous page
million, 20% $200 million-$500 million, 20% $500 million-$1 billion.

User support: Telephone assistance available 8.5 hours per day.

1989 gross revenues: $325,000 total; $105,000 from risk management information systems; 10% from sale of hardware, 80% from sale of software, 10% from services.

Branch offices: San Francisco; Houston.

Principal officers: Christian Arndt, president; Bernie Stein, vp-product development.

Contact: Christian Arndt, 213-404-0549; H.S. Arndt, 213-926-0553; Steve Bent or Meir Horwitz.

C

California Interactive Computing Inc.

8550 Balboa Blvd., Suite 180, Northridge, Calif. 91325; 818-895-5500; fax: 818-891-8913

Year founded: 1977.
Software products:

• GenRisk-Risk Management Software System: $79,500; bundled hardware and software; mainframe or minicomputer; year of first installation, 1980; 24 total installations, all in risk management departments; functions include risk analyses and reporting, loss trending and development, total risk management.

• GenComp-Workers Compensation Software System: $79,500; bundled hardware and software; mainframe or minicomputer; year of first installation, 1977; 54 total installations, 52 in risk management departments; functions include workers compensation claims management and processing, case and cost management.

• GenPac-Property/Casualty Software System: $79,500; bundled hardware and software; mainframe and minicomputer; year of first installation, 1977; 21 total installations, 19 in risk management departments; functions include property/casualty claims administration and case management and management reporting.

Staff: 35 total.

New clients: 14 total; all risk management department clients; 14% $200 million-$500 million, 21% $500 million-$1 billion, 28% $1 billion-$3.5 billion, 37% with more than $3.5 billion.

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

1989 gross revenues: $5.9 million total; 30% from sale of hardware, 50% from sale of software, 20% from services.

Principal officers: Jerry C. Buckley, president; Ralph M. Flygare, vp; Gary Smart, vp-sales/marketing.

Contact: Al Erickson, director-marketing/communications.

Cantor & Co.

9348 Civic Center Drive, Beverly Hills, Calif. 90210; 213-859-7277; 800-553-7267; fax: 213-859-7415

Year founded: 1982.
Software products:

• Riskmap Risk Financing: $1,995; unbundled hardware and software; personal computer; year of first installation, 1983; 130 total installations, 90 in risk management departments; functions include risk financing, discounted cash flow, comparative analysis.

• Riskmap Loss Forecasting: $1,495; unbundled hardware and software; personal computer; year of first installation, 1984; 64 total installations, 15 in risk management departments; functions include forecasting frequency, severity and cost of property/casualty programs overall and by line of coverage.

• Riskmap Loss Development: $1,500; produces development factors for total loss, reserves and payout; integrates with Riskmap Loss Forecasting.

• Riskmap Captive Risk Financing: $2,500; unbundled hardware and software; personal computer; year of first installation, 1984; two total installations; functions include income statements, equity and available cash, loss reporting and payment, discounted cash-flow analysis.

• PCMS (Patient Care Monitoring System): $9,875; unbundled hardware and software; personal computer; year of first installation, 1985; more than 200 total installations; functions include safety and loss control, quality assurance, utilization review, infection control information, risk management, incident reporting, concurrent review, reporting and graphics; optional Custom Reports Library ($950) includes system updates, user meetings and emergency telephone support.

• Exposure Base Management Systems (EBMS): $6,000-$10,000; unbundled hardware and software; personal computer; year of first installation, 1986; one installation in risk management department; functions include tracking and reporting on worldwide exposures.

• Hospital RIMS: $7,500-$35,000; unbundled hardware and software; personal computer; year of first installation, 1984; 13 risk management department installations; functions include claims management, financial analysis and reporting, actuarial analysis, reinsurance analysis and management cost allocation.

• Riskmap Claims Management System: $7,500-$37,500; unbundled hardware and software; personal computer; year of first installation, 1984; 150 total installations, more than 100 in risk management departments. Generic Incident Reporting/Claim Tracking version: $7,500-$10,500; 12 total installations, 10 in risk management departments. Functions include claims tracking and management, safety and loss control, cost allocation, financial analysis and reporting, statistical analysis, fully integrated graphics.

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

• PCMS/Incident Reporting & Claims Management System: $11,000; unbundled hardware and software; personal computer; year of first installation, 1985; more than 170 total installations, 100 in risk management departments; functions include incident reporting, claims tracking and management, quality assurance, utilization review, litigation monitoring, reporting and graphics.

• Insurance Schedules System: $8,500; applications include course of construction schedules, property locations schedules and policy schedules.

Staff: Seven total, six professionals.

New clients: 80 total; 50 risk management department clients; 20% with gross revenues less than $200 million, 60% $200 million-$500 million, 16% $500 million-$1 billion, 3% $1 billion-$3.5 billion, 1% exceeding $3.5 billion.

User support: User groups and meetings, telephone assistance available eight hours per day, seminars on how to use computers in risk management.

1989 gross revenues: 3% from sale of hardware, 82% from sale of software, 15% from services.

Principal officers: Alan B. Cantor, president.

Capital Database Systems

6605 Kristen Court, Citrus Heights, Calif. 95621; 916-726-5320; fax: 916-726-5310

Year founded: 1983.
Software products:

• RiskPro Manager: $2,495; bundled or unbundled hardware and software; personal computer; year of first installation, 1987; four total installations, three in risk management departments; functions include graphics, communications, calculations, check printing and forms.

Staff: Two total, both professionals.

New clients: Two total.

User support: Telephone assistance available eight hours per day.

Principal officers: Walter Miller, systems analyst; Jean Miller, technical support/customer relations.

Compwatch Corp.

1885 De La Cruz Blvd., Suite 201, Santa Clara, Calif. 95050; 408-496-1850; 800-522-5265; fax: 408-727-9670

Year founded: 1989.
Software products:

• CompWatch: $995-$1,289; unbundled hardware and software; personal computer; year of first installation, 1989; 74 total installations, all in risk management departments; system is designed to complete reports and create graphs for risk management and workers compensation

Continued on next page

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claims.

Staff: Five total, four professionals.

New clients: 21 total; 62% with gross revenues less than $200 million, 25% $200 million-$500 million, 10% $500 million-$1 billion, 3% exceeding $3.5 billion.

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

1989 gross revenues: 100% from sale of software.

Principal officers: J. Jay Corbett, president; Daniel E. McDonald, secretary/treasurer; Michael D. Myers, vp-marketing.

Contact: Michael D. Myers.

Control Software Group Inc.

3205 E. Dublin Granville Road, Columbus, Ohio 43231; 614-882-7422; 800-336-7475; fax: 614-890-8924

Year founded: 1986.

Software products:

• Risk-Control/Risk-Control Plus: $795/$2,495; unbundled hardware and software; personal computer; year of first installation, 1988; 82 total installations, all in risk management departments; functions include risk exposure management.

• Accstat: $195; unbundled hardware and software; personal computer; year of first installation, 1989; four total installations, all in risk management departments; system is designed for statistical purposes.

• OSHA Control: $249; unbundled hardware and software; personal computer; new product; functions include OSHA report compliance.

Staff: Nine total, five professionals.

New clients: 30 total; all risk management department clients.

User support: Telephone assistance available nine hours per day.

Branch offices: Atlanta.

Principal officers: John P. Nipps, president; John P. Nipps II, vp-marketing; Randall C. Nipps, treasurer; Melvin R. Irwin, vp-research/development.

Contact: John P. Nipps.

Conway Computer Consultants Inc.

P.O. Box 12801, Jackson, Miss. 39236; 601-957-7400; fax: 601-957-9492

Year founded: 1978.

Software products:

• PACCASSO: $55,000; unbundled hardware and software; personal computer; year of first installation, 1986; 17 total installations, seven in risk management departments; functions include claims administration, check writing, fee schedules, loss development and risk management reporting.

Staff: 40 total, 32 professionals.

New clients: Three total; all risk management department clients.

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

1989 gross revenues: $1.8 million total.

Principal officers: John A. Conway Jr., president; James P. Hathcock, chief financial officer.

Contact: Jack Conway or Ken Walz.

Coopers & Lybrand

1800 First Interstate Center, Seattle, Wash. 98104; 206-628-8156

Year founded: 1898.

Parent company: Coopers & Lybrand.

Software products:

• Exhibitmaker 5: $9,500; unbundled hardware and software; personal computer; year of first installation, 1984; 240 total installations, 40 in risk management departments; functions include forecasting, estimating property/casualty loss reserves, budgeting and cash flow analysis.

Staff: 10 total, eight professionals.

New clients: 40 total; 10 risk management department clients; 30% with gross revenues less than $200 million, 30% $200 million-$500 million, 30% $500 million-$1 billion, 10% $1 billion-$3.5 billion.

User support: Telephone assistance available eight hours per day.

1989 gross revenues: $400,000 from risk management information systems; 80% from sale of software, 20% from services.

Branch offices: New York; Newport Beach and San Francisco, Calif.; Chicago; Atlanta; Boston; Philadelphia; Toronto; Hamilton, Bermuda.

Principal officers: Peter Scanlon, chairman; Jerry Halperin, vice chairman-actuarial, benefits and compensation group; Jim Hall, regional managing partner.

Contact: Tom Johnson, 206-622-8700.

Corporate Systems Ltd.

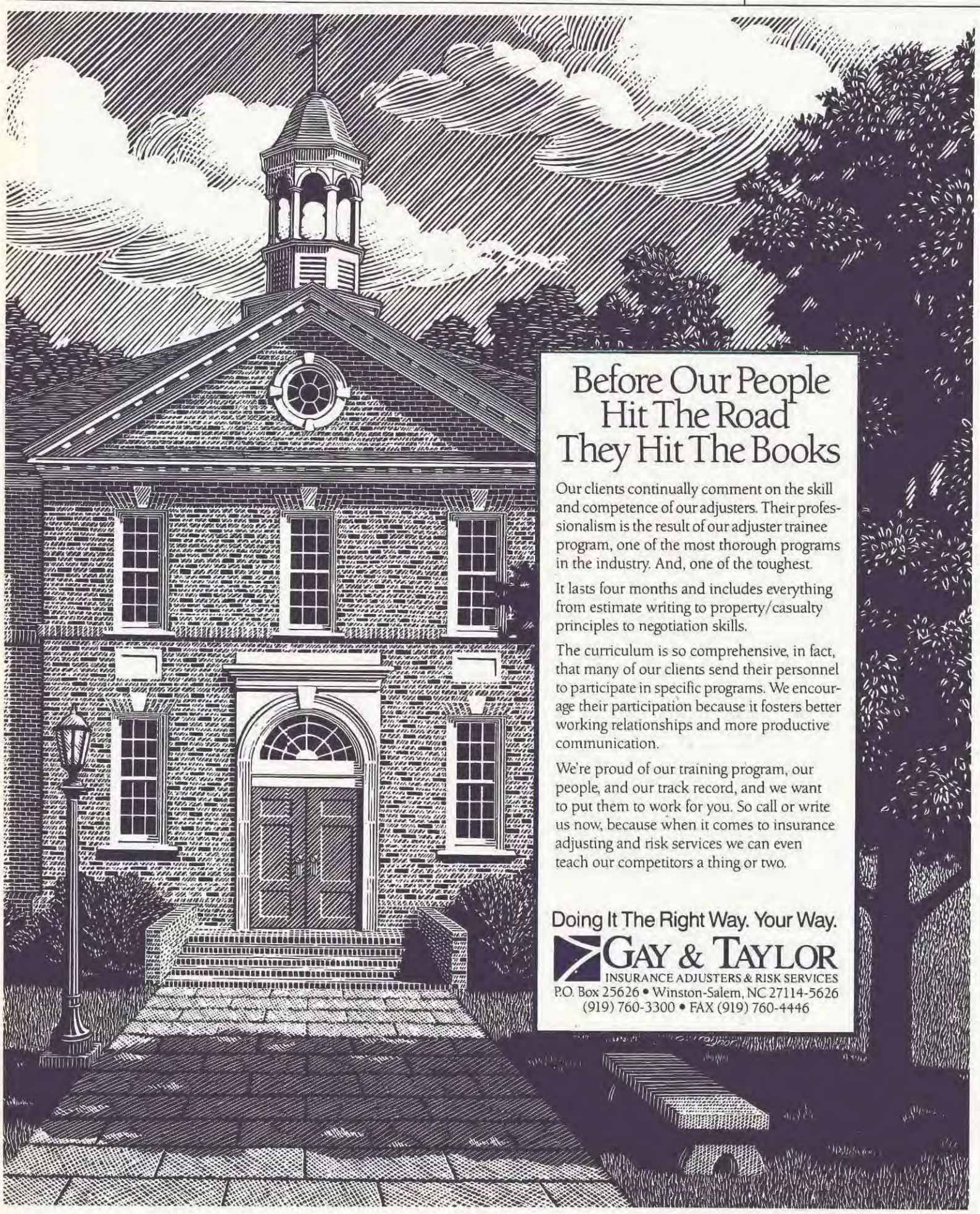
P.O. Box 31780, Amarillo, Texas 79120; 806-376-4223; fax: 806-376-4077

Year founded: 1967.

Software products:

• CS Online: price varies; unbundled hardware and software; personal computer; year of first installation, 1972; 2,589 total installations, 1,855 in risk management departments; functions include risk and financial management, coverage management, safety management, claims administration, legal tracking, check

Continued on next page



Continued from previous page
writing, cost of risk allocation, online batch reporting.

• CS Prism/Midrange: $50,000-$250,000; unbundled hardware and software; personal computer; year of first installation, 1986; 17 total installations, all in risk management departments; functions include risk and financial management, coverage management, safety management; claims administration, legal tracking; check writing, batch reporting.

• CS Prism/Mainframe: $250,000-$500,000; unbundled hardware and software; mainframe; year of first installation, 1990; one total installation in a risk management department; functions include risk and financial management, coverage management, safety management, claims administration, legal tracking, check writing, online batch reporting.

• CS Prism/Micro: $15,000-$30,000; bundled hardware and software; personal computer; year of first installation, 1986; 26 total installations, 26 in risk management departments; functions include risk and financial management, coverage management, safety management, check writing.

• CS-Plus Managed Care: $7,500-$30,000 plus cost per claim for online; $100,000-$500,000 for midrange/mainframe; bundled hardware and software; personal computer or mainframe; year of first installation, 1989; six total installations, five in risk management departments; functions include automatic coding of diagnosis and procedures, coding verification, utilization of treatment, patterns of treatment, prevention of duplicate or unbundled bills, disability duration guidelines, medical screening criteria review, state fee, PPO schedules, checkwriting, letter writing, generating reports.

• CS-TeleClaim: $10,000-$15,000 plus $12-$18 per claim; bundled hardware and software; personal computer, mainframe; year of first installation, 1988; seven total installations, all in risk management departments; functions include automated production of claim reports via toll-free telephone calls, generation of first reports of injury, customized regulatory data and claims handling data.

Staff: 341 total, 250 professionals.

New clients: 418 total; 375 risk management department clients; 25% with gross revenues less than $200 million, 30% $200 million-$500 million, 20% $500 million-$1 billion, 15% $1 billion-$3.5 billion, 10% with more than $3.5 billion.

User support: User groups and meetings, telephone assistance available 12 hours per day, seminars, client conferences, users association.

1989 gross revenues: $22.5 million total; all from risk management information systems; 2% from sale of hardware, 5% from sale of software, 93% from services.

Branch offices: Lisle, Ill.; Tallahassee, Fla.

Principal officers: Guyon H. Saunders, president; Don R. Riggs, senior vp; C. Scott Gilmour, vp-marketing; Johnny Mize, vp-customer service; Dan St. Jacques, vp-product development.

Contact: C. Scott Gilmour.

Crawford & Co.

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

Year founded: 1941.

Software products:

• SISDAT Report: Cost is included in claims administration fee; no unbundled hardware and software; year of first installation, 1975; 621 total installations, all in risk management departments; reports are prepared by vendor staff and include financial analysis, loss prevention and control, safety analysis, actuarial reports, safety reporting and performance monitoring reports.

• SIGMA Personal Service for SISDAT Data: $250-$500 per report; unbundled; no hardware required; year of first installation, 1983; 621 total installations, all in risk management departments; reports are prepared by vendor staff and include financial analysis, loss prevention and control, safety analysis, actuarial reports, safety reporting and performance monitoring reports.

• SIGMA System On-Line for SISDAT Data: $12,000 per year and up; unbundled hardware and software; personal computer with modem; year of first installation, 1987; two total installations, both in risk management departments; functions include claim query, claim data edit capability.

• SIGMA System (Service Bureau Services) for SISDAT Data: $19,200 per year and up; unbundled hardware and software; personal computer with modem; year of first installation, 1980; product offered to Crawford & Co. clients through Risk Sciences Group Inc.

• SIGMA Performance Monitor Reports: no hardware required; year of first installation, 1980; product produces reports to monitor claim administration activity and to measure adjuster performance.

Staff: 124 total, 98 professionals.

New Clients: 621 total; 10% with gross revenues less than $200 million, 15% $200 million-$500 million, 30% $500 million-$1 billion, 30% $1 billion-$3.5 billion, 15% with more than $3.5 billion.

User support: User groups and meetings, newsletter, telephone assistance available 14 hours per day, on-site training, seminars, conferences.

1989 gross revenues: $374 million from claims, risk management, health care services and risk control.

Branch offices: Mahwah, N.J.; Corte Madera, Calif; Chicago.

Principal officers: Crawford & Co.: Carol Eskola, product manager-SISDAT Services. Risk Sciences Group Inc.: Richard F. Denning, president; Dennis M. Aaron, vp-product design; John W. Huecksteadt, vp-computer operations; Carol J. Legg, vp-development; Andrew R. Daniels, vp-market development; R. Michael Keating and Leo

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Continued from previous page
Jeffers, vps-operations; Wayne M. Radosky and Jack S. Tatum, directors-operations.

D

David Corp.

100 California St., Suite 820, San Francisco, Calif. 94111; 415-362-4555; fax: 415-362-5010

Year founded: 1988.
Parent company: Pacific Compensation Insurance Co.
Software products:
• CompPlus: $50,000 with hardware; bundled hardware and software; personal computer; year of first installation, 1986; 421 total installations, 75 in risk management departments; functions include workers comp claims administration and risk management.
• P&CPlus: $50,000 with hardware; bundled hardware and software; personal computer; year of first installation, 1986; 150 total installations, 25 in risk management departments; functions include liability claims administration and risk management.
Staff: 24 total, 20 professionals.
Clients: 24 total; all risk management department clients; 68% with gross revenues less than $200 million, 16% $200 million-$500 million, 11% $500 million-$1 billion, 5% $1 billion-$3.5 billion.
User support: User groups and meetings, telephone assistance available 12 hours per day, electronic support via modem.
Principal officers: Alan Burus, president; E. Neil Peterson, vp; David P. Duden and Todd J. Struble, directors-sales/marketing.
Contact: E. Neil Peterson.

G

GAB Business Services Inc.

9 Campus Drive, Linden Plaza, Parsippany, N.J. 07054; 201-993-3400; fax: 201-993-9579

Year founded: 1885.
Parent company: SGS North America.
Software products:
• Centurion: $24,000; unbundled hardware and software; personal computer; year of first installation, 1984; 27 total installations, all in risk management departments; functions include interactive query and analysis, reports and charts.
• Claims Management Reporting (CMRS): included in fee per claim; unbundled hardware and software; personal computer; year of first installation, 1975; 610 total installations, 535 in risk management departments; system is designed to provide reports and check registers.
Staff: 127 total, 87 professionals.
New clients: Six total; all risk management department clients; 10% with gross revenues less than $200 million, 15% $200 million-$500 million, 25% $500 million-$1 billion, 25% $1 billion-$3.5 billion, 25% with more than $3.5 billion.
User support: User groups and meetings, telephone assistance available eight hours per day, on-site training.
1989 gross revenues: $214 million total; 100% from services.
Branch offices: New York; Atlanta; Dallas; Chicago; Los Angeles; Minneapolis; San Francisco; Phoenix.
Principal officers: Richard A. Simon, chairman/chief executive officer; William F. Bergs and Joseph L. Rizzo, executive vps; John F. Darden, G. Roger Eiler, R. Howard Hopkins, Allan W. Jones and Robert F. Madan, senior vps.
Contact: John Kardos, assistant vp; 201-993-3738.

Gallagher Bassett Services Inc.

2550 W. Golf Road, Rolling Meadows, Ill. 60008; 708-640-8555; fax: 708-640-6971

Year founded: 1962.
Parent company: Arthur J. Gallagher & Co. Inc.
Software products:
• RISX-FACS: bundled or unbundled hardware and software or may be used on a timesharing basis; personal computer; year of first installation, 1983; more than 750 total installations; functions include claims administration, electronic mail, check writing, automated diary, standard loss reporting and ad-hoc inquiry.
• MICRO-FACS: $2,100 plus communications; unbundled hardware and software; personal computer; year of first installation, 1986; 77 total installations, 55 in risk management departments; functions include on-line ad-hoc inquiry and reporting, loss trending, exposure analysis, loss triangles, electronic mail.
Staff: 860 total, all professionals.
New clients: Two total.
User support: Telephone assistance available eight hours per day, on-site training, training at corporate site, manuals.
1989 gross revenues: $53.2 million total.
Branch offices: More than 80 service offices and 25 sales offices in the United States.
Principal officers: Peter J. Durkalski, president; Donald C. Klein, executive vp; Richard R. Rothman, executive vp-business development division.
Contact: Richard R. Rothman.

Genelco Inc.

1600 S. Brentwood Blvd., Suite 500, St. Louis, Mo. 63144; 314-962-2040; fax: 314-968-9589

Year founded: 1973.
Parent company: General American Life Insurance Co.
Software products:
• Health Benefit Management System: bundled or unbundled hardware and software; personal computer; year of first installation, 1985.
• Benefit Administration and Reporting System: bundled or unbundled hardware and software; personal computer; year of first installation, 1987.
• Life Support Plus: bundled or unbundled hardware and software; personal computer; year of first installation, 1985.
Staff: 136 total, 36 professionals.
User support: User groups and meetings, telephone assistance available 10 hours per day, maintenance agreements available, on-site training.
1989 gross revenues: $14 million total; $5.4 million from risk management information systems; 7% from sale of hardware, 8% from sale of software, 85% from services.
Branch offices: Dallas.
Principal officers: David B. Johnson, president; Russell E. Korte, executive vp; Ben C. Allen Jr., senior vp; Larry M. Amundsen, vp-sales and marketing; David Barton, vp-Dallas; David Garver, vp-St. Louis/sales/marketing; Carol Heikkinen, vp-operations-Dallas; Robert Helbig, David Litschgi and Mike Molinar, product vps; Mary Beth Layton, vp-claims.

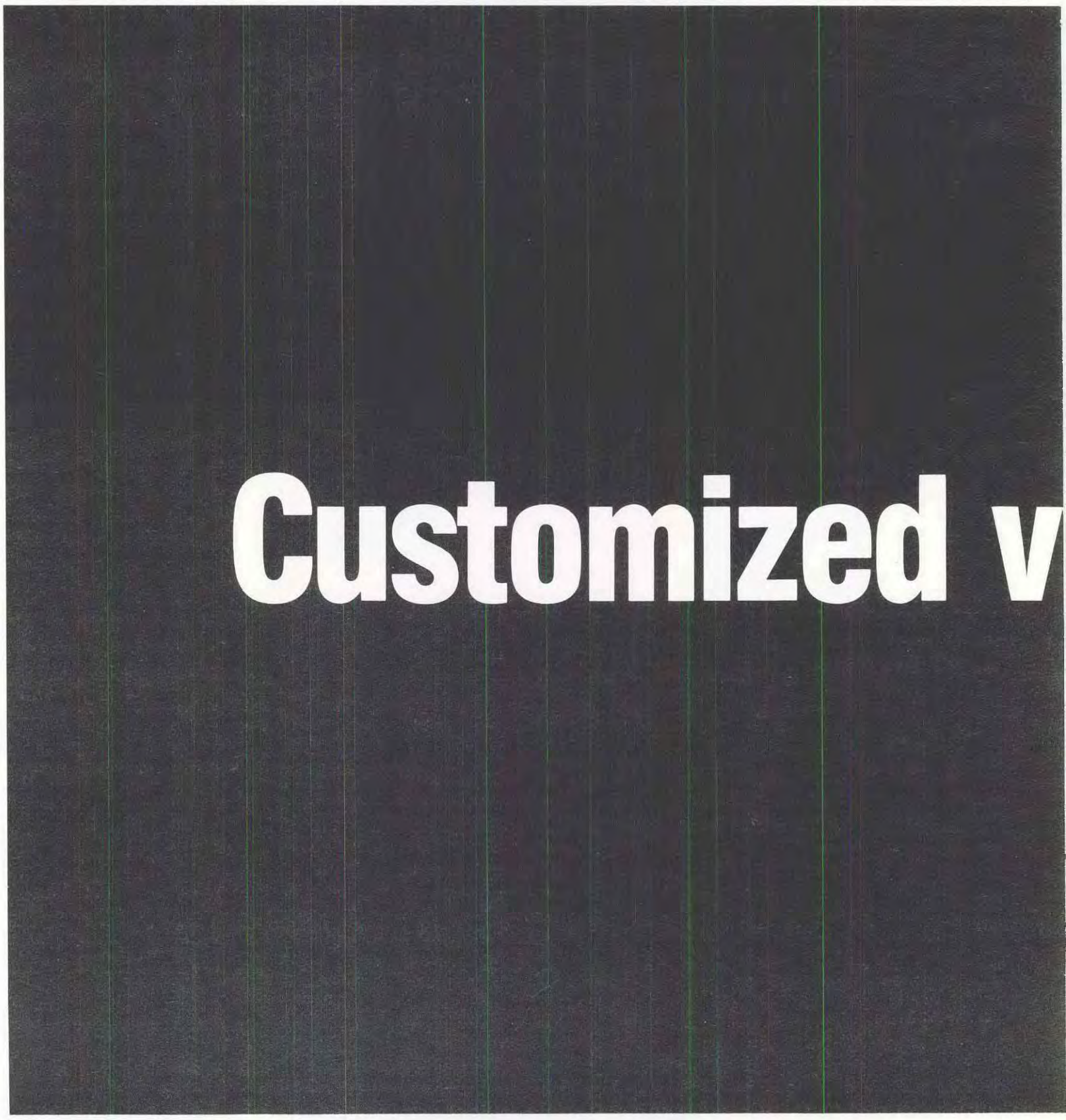
H

Hartford Specialty Co.

155 Founders Plaza, East Hartford, Conn. 06108; 203-275-1370; fax: 203-275-1396

Year founded: 1979.
Parent company: ITT Corp.
Software products:
• OSCAR: $15,000; unbundled hardware and software; personal computer with modem; year of first installation, 1980; 250 total installations, all in risk management departments; functions include pre-formatted and ad hoc reporting, personal computer download and upload capability, electronic mail facilities.
Staff: 27 total, 24 professionals.
New clients: 55 total; all risk management department clients; 4% $200 million-$500 million, 22% $500 million-$1 billion, 67% $1 billion-$3.5 billion, 7% with more than $3.5 billion.
User support: Telephone assistance available eight hours per day, on-site training facility, training available at client's site.
1989 gross revenues: $23 million total; $750,000 from risk management information systems; 100% from services.
Branch offices: Chicago; Dallas; Detroit; Hartford, Conn.; Los Angeles; New York; Orlando, Fla.
Principal officers: David R. Bradley, president; John A. MacDonald, senior vp; Lonnie Maytubby, assistant vp.
Contact: Lonnie Maytubby, 203-275-1352.

Continued on next page



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Health Management Technologies Inc.

1042 Country Club Drive, Suite 2-C, Moraga, Calif. 94556; 415-376-0980; fax: 415-376-7178

Year founded: 1985.
Software products:
• Return: $10,000 per workstation; bundled or unbundled hardware and software; personal computer; year of first installation, 1989; more than 35 total installations, more than 25 in risk management departments; system is designed for case management for workers comp and disability provider management.
• Return Plus: $12,000 per workstation; bundled or unbundled hardware and software; personal computer; year of first installation, 1989; 15 total installations; functions include case and provider management, occupational health.
Staff: Five total, three professionals.
New clients: 40 total.
User support: Telephone assistance 10 hours per day, on-site training.
1989 gross revenues: 80% from sale of software, 20% from services.
Principal officers: K.J. Wolfe, president; J.W. Wolfe, senior vp-marketing.
Contact: Jim Wolfe.

Helmsman Management Services Inc.

225 Borthwick Ave., Portsmouth, N.H. 03801; 603-431-1181; fax: 603-431-2071

Year founded: 1983.
Parent company: Liberty Mutual Insurance Co.
Software products:
• Risktrac/Online (Mainframe): $35,000; unbundled hardware and software; personal computer; year of first installation, 1988; 44 total installations, all in risk management departments; functions include claims management, risk loss forecasting.
• Risktrac/PC: $5,000; unbundled hardware and software; personal computer; year of first installation, 1987; 91 total installations, all in risk management departments; functions include claims management, risk coverage tracking.
Staff: 72 total, 61 professionals.
New clients: 42 total; all risk management department clients; 34% with gross revenues less than $200 million, 24% $200 million-$500 million, 15% $500 million-$1 billion, 15% $1 billion-$3.5 billion, 12% with more than $3.5 billion.
User support: User groups and meetings, telephone assistance available 10 hours per day, newsletters and user manuals.
Branch offices: Boston; New York; Berwyn and Pittsburgh, Pa.; Atlanta; Itasca, Ill.; Irving, Texas; Pleasonton, Calif.
Principal officers: William E. Commack, president; Robert Barrese, vp.
Contact: James R. Betke, director-marketing.

I

Insurance Software Packages Inc.

5118 N. 56th St., Tampa, Fla. 33610; 813-621-6069; 800-237-8133

Year founded: 1985.
Software products:
• Health Benefits Management System: $38,000; unbundled hardware and software; personal computer; year of first installation, 1986; 25 total installations, eight in risk management departments; functions include employee enrollment, payment, auto claim adjudication, reports.
• Worker's Compensation Claims Management System: $24,000; unbundled hardware and software; personal computer; year of first installation, 1985; 70 total installations, 25 in risk management departments; functions include check writing, form preparation, fee schedule validation, reserve tracking, claim inquiry and reporting.
• Multi-Line Claims Management System: $12,000; unbundled hardware and software; personal computer; year of first installation, 1986; 25 total installations, 12 in risk management departments; functions include claim entry and validation, payment, accident data entry, reserve tracking, claim inquiry and reporting.
• Medical Fee Schedule Validation System: $12,000; unbundled hardware and software; personal computer; year of first installation, 1986; 80 total installations, 15 in risk management departments; functions include fee schedule and diagnosis validation, medical bill history, duplicate bill check, inquiry, reporting.
• COBRA EAS: $1,600; unbundled hardware and software; personal computer; year of first installation, 1987; 1,000 total installations, 500 in risk management departments; system is designed to administer COBRA.
Staff: 49 total, 38 professionals.
New clients: 61 total; 50% with gross revenues less than $200 million, 20% $200 million-$500 million, 20% $500 million-$1 billion, 10% $1 billion-$3.5 billion.
User support: User groups and meetings, telephone assistance available nine hours per day.
1989 gross revenues: $2.5 million total; 85% from sale of software, 15% from services.
Principal officers: A. Allan Machesney, president; Jerry Blackburn, senior vp; George H. Cannon, vp; Janet Machesney, corporate secretary.
Contact: Madonna Carey or Angie Heinsman, marketing specialists.

International Risk Management Institute Inc.

12222 Merit Drive, Suite 1660, Dallas, Texas 75251-2217; 800-827-4242; fax: 214-960-6037

Software products:
• Coverage Pro/Umbrella Analyzer: $698; unbundled hardware and software; personal computer; year of first installation, 1989; 235 total installations, 35 in risk management departments; system is designed to identify coverage gaps within umbrella excess policies and between umbrella and comprehensive general liability policies. Compares policies in marketplace.
Staff: 24 total, eight professionals.
New clients: 190 total; 35 risk management department clients.
User support: Telephone assistance available eight hours per day.
1989 gross revenues: $117,000 from risk management information systems; 100% from sale of software.
Principal officers: Jack P. Gibson, president; Paul D. Murray, vp; Cathy Roberts, vp-administration.
Contact: Paul Murray.

J

Thomas L. Jacobs & Associates

230 W. Monroe, Suite 545, Chicago, Ill. 60606; 312-346-0155; fax: 312-346-1171

Year founded: 1915.
Parent company: UNUM Life Insurance Co.
Software products:
• DCS-The Duration Control System: unbundled hardware and software; personal computer; year of first installation, 1989; 10 total installations, seven in risk management departments; functions include disability claim and duration control.
User support: User groups and meetings, telephone assistance available during normal business hours with a 24-hour answering service.
Principal officers: Richard A. Lewis, president; Richard H. Wille, executive vp.
Contact: Martha Paul, director-disability consulting/special case services.

K

KPMG Peat Marwick

345 Park Ave., New York, N.Y. 10154; 212-758-9700; fax: 212-872-3272

Year founded: 1897.
Software products:
• The Reserve Analyst: $9,000; unbundled hardware and software; personal computer; year of first installation, 1985; 12 total installations, four in risk management departments; system is designed to perform loss reserve analysis.
• Exposure Monitoring System: $15,000; unbundled hardware and

Continued on next page

s. Generic Re

AMERICAN RE-INSURANCE COMPANY

American Re Plaza, 555 College Road East, Princeton, NJ 08543-5241 609-243-4200

Atlanta, Bogota, Boston, Cairo, Chicago, Columbus, Dallas, Hartford, Kansas City, London, Los Angeles, Melbourne, Mexico City, Minneapolis, Montreal, New York, Philadelphia, Princeton, San Francisco, Santiago, Singapore, Sydney, Tokyo, Toronto

Continued from previous page
software; personal computer; year of first installation, 1989; two total installations, both in risk management departments; system is designed to match identified exposures with minimum acceptable insurance coverage based upon company's risk taking posture.

Staff: 43 total, 40 professionals.

New clients: Four total; four risk management department clients; 20% with gross revenues less than $200 million, 35% $200 million-$500 million, 35% $500 million-$1 billion, 5% $1 billion-$3.5 billion, 5% with more than $3.5 billion.

User support: Telephone assistance available eight hours per day, on-site training.

1989 gross revenues: $4.1 million total; $120,000 from risk management information systems; 85% from sale of software, 15% from services.

Branch offices: New York; Hartford, Conn.; Philadelphia; Dallas; Atlanta.

Principal officers: David Wasserman, principal, Craig Gass, senior manager.

Contact: Douglas W. Oliver, senior consultant.

M

Maximum Software Products

P.O. Box 672491, Houston, Texas 77067; 713-872-1532; fax: 713-872-1637

Year founded: 1981.

Parent company: Maximum Financial Group Inc.

Software products:

• MAX-PRO Claims: unbundled hardware and software; personal computer; year of first installation, 1981; 12 total installations, two in risk management departments; property/casualty claims management, statistical reporting and loss prevention reports.

Staff: 12 total, six professionals.

Clients: 11 total, 100% with gross revenues less than $200 million.

User support: Telephone assistance available 12 hours per day, online user support.

Principal officers: Marvin H. Lessmann II, chairman.

Med-Services Management Co.

1 Bala Ave., Suite 4C, Bala Cynwyd, Pa. 19004; 215-667-5155; fax: 215-667-0839

Year founded: 1985.

Parent company: Crozer-Keystone Health System.

Software products:

• Utilization Management System: $25,000; bundled or unbundled hardware and software; personal computer; year of first installation, 1989; two total installations, both in risk management departments; system is designed to manage the pre-certification and utilization review process.

New clients: Two total; both risk management department clients; 100% with gross revenues less than $200 million.

User support: Telephone assistance available eight hours per day.

Principal officers: Robert D. Bauer, chief executive officer; Kevin O'Brien, marketing director; Scot Malloy, director-computer operations.

Contact: Robert D. Bauer.

N

NATLSCO (National Loss Control Service Corp.)

Route 22 and Kemper Drive, Long Grove, Ill. 60049-0075; 708-540-2401; fax: 708-540-4330

Year founded: 1983.

Parent company: Kemper Corp.

Software products:

• CARES Claims Analysis and Risk Experience System: $12,000; unbundled hardware and software; personal computer; year of first installation, 1983; 90 total installations, 71 in risk management departments; functions include claims administration.

Staff: 43 total, 28 professionals.

New clients: 17 total; all risk management department clients; 11.8% with gross revenues less than $200 million, 11.8% $200 million-$500 million, 35.3% $500 million-$1 billion, 35.3% $1 billion-$3.5 billion, 5.8% with more than $3.5 billion.

User support: User groups and meetings, telephone assistance available, newsletters.

Principal officers: Robert W. Satterfield, president; Frederick G. Minchk, vp.

Contact: W.E. Kahl, manager-risk management, 708-540-3454.

NRM Computer Systems Inc.

4309 Hacienda Drive, Suite 483, Pleasanton, Calif. 94588; 415-734-9400; fax: 415-734-8631

Year founded: 1977.

Software products:

• NRM Risk Management Information & Financial Analysis System: microcomputer: $10,000 plus $1,500 per user; minicomputer $15,000 plus $1,500 per user; mainframe $20,000 plus $1,500 per user; bundled or unbundled hardware and software; year of first installation, 1990; two total installations, two in risk management departments; functions include risk management and financial analysis.

Staff: 18 total, 15 professionals.

User support: Telephone assistance available 12 hours per day.

Principal officers: Frank E. Amatelli, president.

O

Omega Claims Services Inc.

1401 N. Broadway, Suite 210, Walnut Creek, Calif. 94596; 415-943-1155; fax: 415-935-1359

Year founded: 1949.

Software products:

• CCAPS (Complete Claims Administration Processing System): $8,000; unbundled software; personal computer; year of first installation, 1989; four total installations; functions include liability claims administration, financial and loss prevention data tracking.

Staff: Three total in software department, two professionals.

New clients: One client.

User support: Telephone assistance available 10 hours per day.

1989 gross revenues: $8,500 from risk management information systems; 90% from sale of software, 10% from services.

Branch offices: San Diego, Calif.

Principal officers: Richard Ensbury, chief executive officer; Russell LaDue, vp-operations; Carolyn Chin, vp-finance.

Contact: Dana Berggren, director-software development, 619-480-0456.

P

Premium Review Associates

P.O. Box 125, Keene, N.H. 03431; 603-352-2786; fax: 603-352-2786

Year founded: 1979.

Software products:

• PRA's Experience Modification System: $400-$2,000; unbundled hardware and software; personal computer; year of first installation, 1985; more than 600 total installations, 200 in risk management departments; functions include computing workers compensation experience modification.

Staff: Three total, one professional.

New clients: 200 total; 25 risk management department clients; 75% with gross revenues less than $200 million, 25% $200 million-$500 million.

User support: Telephone assistance available eight hours per day.

1989 gross revenues: 100% from sale of software.

Principal officers: Norman Goodman, owner.

Pyramid Services Inc.

Suite 206, 90 Grove St., Ridgefield, Conn. 06877; 203-438-3883; fax: 203-438-7128

Year founded: 1987.

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

Software products:

• Sphinx: $1,500; unbundled hardware and software; personal computer; year of first installation, 1987; 71 total installations, 62 in risk management departments; system is designed to consolidate tape, manage claims, litigation and loss forecasting exposure, generate reports and issue insurance certificates.

• Pyramid: $25,000; unbundled hardware and software; personal computer; year of first installation, 1987; 51 total installations, 33 in risk management departments; functions include claims administration, report generating, medical fee scheduling, disability payments, check writing, includes Sphinx system.

• Pharaoh: $15,000; unbundled hardware and software; personal computer; year of first installation, 1987; 12 total installations; functions include association and risk retention group management.

Staff: 11 total, eight professionals.

New clients: 32 total; 26 risk management department clients; 27% with gross revenues less than $200 million, 23% $200 million-$500 million, 19% $500 million-$1 billion, 23% $1 billion-$3.5 billion, 8% with more than $3.5 billion.

User support: User groups and meetings, telephone assistance available 10 hours per day, training classes.

Branch offices: San Francisco.

Principal officers: William Kuebler, president; David Horton, vp.

Q

Quaestor Consulting Co.

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

Year founded: 1986.

Software products:

• Quaestor Summary Plans: $8,000; unbundled hardware and software; personal computer; year of first installation, 1986; 67 total installations, 15 in risk management departments; functions include loss projections, statistical analysis, premium allocation, captive management, self-insurance management.

• Quaestor RMIS: $25,000; unbundled hardware and software; personal computer; year of first installation, 1988; five total installations, two in risk management departments; system is a database containing information on workers compensation, general liability, auto liability, property underwriting and exposure and policy summaries.

Staff: Three total; all profes-

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RIVERTON, NJ 08077-7249

Business Insurance

FREE LITERATURE FOR READERS

Issue Date: JULY 23, 1990
Card Expiration: SEPTEMBER 14, 1990

All questions must be answered to process inquiries.
PLEASE CHECK ONE ITEM FOR EACH CATEGORY:

1. My organization is best described as:

A ☐ Mfg/Svcs
B ☐ Association
C ☐ Union
D ☐ Government
E ☐ Educational Inst
F ☐ Ins Agent
G ☐ Ins Broker
H ☐ Ins/Reins Co
I ☐ Actry/Conslt
J ☐ Attorney
K ☐ Adj/Apprs
L ☐ TPA
M ☐ Healthcare Inst
N ☐ Other _____

2. Number of employees:

1 ☐ 150 or less
2 ☐ 151 - 499
3 ☐ 500 - 999
4 ☐ 1,000 - 4,999
5 ☐ 5,000 or more
6 ☐ Unknown

3. My title is best defined as:

A ☐ Administrative Mgt
B ☐ Financial Mgt
C ☐ Risk Mgt
D ☐ Benefits Mgt
E ☐ Loss prevention Mgt
F ☐ Other _____

4. My purchasing involvement for the requested products is to:

1 ☐ recommend only
2 ☐ specify
3 ☐ approve

5. Do you now receive a personally addressed copy of Business Insurance?

A ☐ Yes
B ☐ No, so please send subscription info

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Continued from previous page
sionals.

New clients: 63 total; 25% with gross revenues $200 million-$500 million, 50% $500 million-$1 billion, 25% $1 billion-$3.5 billion.

User support: Telephone assistance available 10 hours per day.

1989 gross revenues: $90,000 total; $40,000 from risk management information systems; 95% from sale of software, 5% from services.

Branch offices: Sacramento, Calif.

Principal officers: R.W. Stephens II, president.

Contact: R.W. Stephens.

R

Risk Controller

12465 Lewis St., Suite 104, Garden Grove, Calif. 92640; 714-748-9291; fax: 714-748-9294

Year founded: 1985.
Parent company: Xordium Inc.
Software products:

• Risk Controller: $20,000; unbundled hardware and software; personal computer; year of first installation, 1990; three total installations, all in risk management departments; functions include managing risk control, including training, medical surveillance, hazardous materials information, injury reporting, regulatory log maintenance, statistical analysis, graphics.

Staff: Eight total, five professionals.

User support: Telephone assistance available eight hours per day.

Principal officers: Karen Gillett, president; Fred Gillett, vp.

Risk Information Systems Consulting Inc.

P.O. Box 337, Huntington, N.Y. 11743; 516-754-7130; fax: 516-754-7195

Year founded: 1988.
Software products:

• Customized system: $6,000; unbundled hardware and software; personal computer.

Staff: One total.

User support: Telephone assistance available.

Principal officers: Michael N. Singer, president.

Risk Sciences Group Inc.

5620 Glenridge Drive N.E., Atlanta, Ga. 30342; 404-847-4511; fax: 404-847-4028

Year founded: 1978.
Parent company: Crawford & Co.
Software products:

• SIGMA System: annual service fee, $15,000 and up; unbundled hardware and software; personal computer with modem; year of first installation, 1978; 140 total installations, 135 in risk management departments; functions include actuarial analysis and loss forecasting, accounting, budget planning and allocation, loss prevention and control, safety analysis, program monitoring, claims administration and monitoring, ad hoc reporting.

• SIGMA System (License System): $125,000; unbundled hardware and software; mainframe; year of first installation, 1987; four total installations, all in risk management departments; functions include actuarial analysis and loss forecasting, accounting, budget planning and allocation, loss prevention and control, safety analysis, program monitoring, claims administration and monitoring, ad hoc reporting.

• Litigation Management Support: $10,000; personal computer; year of first installation, 1985; seven total installations, all in risk management departments; functions include litigation database creation and analysis, legal diary, attorney monitoring and financial record keeping.

• CAST (Loss Forecasting): $3,000 for personal computer version; unbundled hardware and software; personal computer or mainframe; year of first installation, 1981 (mainframe), 1989 (personal computer); 10 total installations, all in risk management departments; system is designed to forecast and budget loss, expense and exposure information through client and industry data.

• Claims Self-Administration Support: annual service fee, $20,000 and up; unbundled hardware and software; personal computer with modem or mainframe; year of first installation, 1985; four total installations, three in risk management departments; functions include workers compensation and liability claims administration and processing with check writing. May be integrated with third party data services.

• Property Asset Management (Property Asset, Policy Register and Claims): $7,500; personal computer; released 1990; system is designed to record and process property assets including underwriting loss exposures, insurance policies and losses; cross reference property exposures and insurance polices; help manage large property programs with property asset management functions.

• Accident/Incident Early Response System: $12,000; unbundled hardware and software; personal computer; year of first installation, 1989; one total installation, in a risk management department; functions include providing specific risk control data collection via a centralized data collection hot line, preparing first reports for workers compensation claims, assisting operators in forwarding documents to local claims adjusters, an electronic link to update claim information.

Staff: 58 total, 52 professionals.

New clients: 158 total; 37 new clients, all risk management departments; 7.5% with gross revenues less than $200 million, 7.5% $200 million-$500 million, 25% $500 million-$1 billion, 35% $1 billion-$3.5 billion, 25% with more than $3.5 billion.

User support: User groups and meetings, telephone assistance available 14 hours per day, regional client seminars, quarterly newsletter, on-site training, advanced client training, on-line training, consulting and programming support services.

1989 gross revenues: $6.9 million total; all from risk management information systems; 2% from sale of software, 98% from services.

Branch offices: Mahwah, N.J.; Corte Madera, Calif.; Chicago.

Principal officers: Richard F. Denning, president; Andrew R. Daniels, vp-marketing/planning; Dennis M. Aaron, vp-product design; John W. Hueckstead, p-computer operations; Carol J. Legg, vp-development; R. Michael Keating and Leo Jeffers, vps-operations; Wayne Radosky and Jack Tatum, directors-operations.

Rollins Burdick Hunter Co.-Rollins Technical Services

123 N. Wacker Drive, Chicago, Ill. 60606; 312-701-4000; fax: 312-701-4143

Year founded: 1898 (parent company).
Parent company: Aon Corp.

Continued on next page

For better control over risk management, it pays to know the right people.

Our people. We believe in attracting and keeping the best, with time-tested, hands-on experience. Specialists who have the expertise to deliver the claims service you expect—and must have—in today's business climate. They stay sharp with our ongoing, comprehensive training program. And you'll be served by a team of experts, not just one.

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Business Insurance
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SURPLUS LINES

Breaking new ground, covering unusual risks, being innovative and creative.

BI'S AUGUST 13 ISSUE

SURPLUS LINES

Giving readers up-to-the-minute news and information on this important segment of the commercial insurance marketplace, BI's editors will report on the Illinois Insurance Exchange . . . provide a state-by-state compilation of surplus lines premiums and taxes . . . profile the 10 largest surplus lines insurers and the 10 largest insurance wholesalers . . . review and track overall market conditions . . . and list surplus lines insurers and wholesale intermediaries in a most comprehensive directory.

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Software products:

• Riskan: $40,000; bundled or unbundled hardware and software; system runs on vendor's hardware accessed through personal computer; year of first installation, 1982; 50 total installations, 28 in risk management departments; functions include claims and safety analysis, loss development.

• Coras: $15,000; bundled or unbundled hardware and software; system runs on vendor's hardware accessed through personal computer; year of first installation, 1986; 20 total installations, all in risk management departments; functions include premium allocation, budget analysis.

• QuickTrac: provided as a service to clients; bundled or unbundled hardware and software; personal computer; year of first installation, 1989; functions include claims and safety analysis trending, loss development.

Staff: 37 total, 22 professionals.

New clients: Six total; all risk management department clients.

User support: Telephone assistance available eight hours per day.

1989 gross revenues: $316.4 million total; $1.3 million from risk management information systems; 20% from sale of software, 80% from services.

Branch offices: St. Louis; Atlanta; and parent company offices.

Principal officers: Arthur F. Quern, chairman/president/chief executive officer; John F. McCaffrey, vice chairman; George E. Corde, executive vp.

Contact: Frank Strenk, 111 E. Wacker Drive, 29th Floor, Chicago, Ill. 60601; 312-616-2240.

S

SW Systems Inc.

P.O. Box 1508, Goleta, Calif. 93116; 805-963-5959; fax: 805-967-6494

Year founded: 1980.

Software products:

• ClaimsWork: $45,000; unbundled hardware and software; mainframe; year of first installation, 1980; 40 total installations, 30 in risk management departments; functions include clams processing.

• CostWork: $5,000; unbundled hardware and software; mainframe; year of first installation, 1980; 15 total installations, 10 in risk management departments; functions include cost containment.

• BillingWork: $5,000; unbundled hardware and software; mainframe; year of first installation, 1982; six total installations, five in risk management departments; functions include premium billing.

Staff: 25 total, four professionals.

New Clients: Five total; four risk management department clients.

User support: User groups and meetings, telephone assistance available 10 hours per day, support personnel has ability to access questions clients store within their own systems.

1989 gross revenues: $1.5 million total; $750,000 from risk management information systems; 50% from sale of software, 50% from services.

Principal officers: William Whitmore, president.

Scott Wetzel Services Inc.

500 Pacific Ave., P.O. Box 418, Bremerton, Wash. 98310; 206-479-0200; fax: 206-479-8297

Year founded: 1941.

Software products:

• SWS P.C. Access: $2,500; unbundled hardware and software; personal computer; year of first installation, 1987; 24 total installations, all in risk management departments; functions include claims management, excess coverage history, maintenance, ad hoc reports, personal computer download.

Staff: 32 total, 12 professionals.

User support: Telephone assistance available 10 hours per day, two hours technical assistance per month included in monthly usage fee.

Branch offices: Anchorage, Alaska; Orange and Concord, Calif.; Englewood, Colo.; Middletown, Conn.; Tampa, Fla.; Atlanta; Chicago; Bethesda, Md.; Boston; Manchester, N.H.; Mountainside, N.J.; Albany, N.Y.; Beaverton, Ore.; Knoxville, Tenn.; Dallas; Houston; Salt Lake City; Federal Way and Spokane, Wash.

Principal officers: John R. Harrold, T.R. Neal, E. Kocott, V. Teti, W. Zimmerman, D. Alsop.

Contact: Vic Teti, 206-479-0200.

Sedgwick James Information Systems

1290 Ave. of the Americas, New York, N.Y. 10104; 212-830-1722; fax: 212-830-1973

Year founded: 1979.

Parent company: Sedgwick James P.L.C.

Software products:

• INFORM: $20,000; bundled or unbundled hardware and software; personal computer or mainframe; year of first installation, 1979; 35 total installations, 20 in risk management departments; custom-designed system includes claims administration, premium allocation, actuarial and loss forecasting, exposure tracking, customized and ad hoc reports, artificial intelligence, risk finance and risk control.

Staff: Nine total, eight professionals.

New clients: Five total; 60% with gross revenues between $1 billion-$3.5 billion, 40% with more than $3.5 billion.

User support: Telephone assistance available 10 hours per day, reference and user manuals with updates, system consulting.

1989 gross revenues: 50% from sale of software, 50% from services.

Principal officers: Robert C. Hug Jr., corporate senior vp/director-risk services; Alan R. Josefsek, executive vp-information systems.

Contact: Alan R. Josefsek, 212-830-1722.

Self Insured Management Systems

9320 S.W. Banbur Blvd., P.O. Box 19730-171; Portland, Ore. 97219; 503-245-9756; fax: 503-246-1581

Year founded: 1982.

Software products:

• RiskPac: $10,000; unbundled hardware and software; personal computer; year of first installation, 1982; 30 total installations, 17 in risk management departments; system is designed to make payments, generate reports.

Staff: 15 total, two professionals.

User support: Telephone assistance available 24 hours per day.

1989 gross revenues: 90% from sale of software, 10% from services.

Branch offices: Bellevue, Wash.

Principal officers: Michael Gold, president; James Broyles, secretary.

Contact: Michael Gold.

Seligman Information Systems

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

Year founded: 1985.

Software products:

• CTRACK—Certificates of Insurance Tracking: $695; unbundled hardware and software; personal computer or local area network; year of first installation, 1988; 60 total installations, 53 in risk management departments; system is designed to track incoming certificates of insurance and generate letters requesting corrections or reminder letters as policies approach expiration.

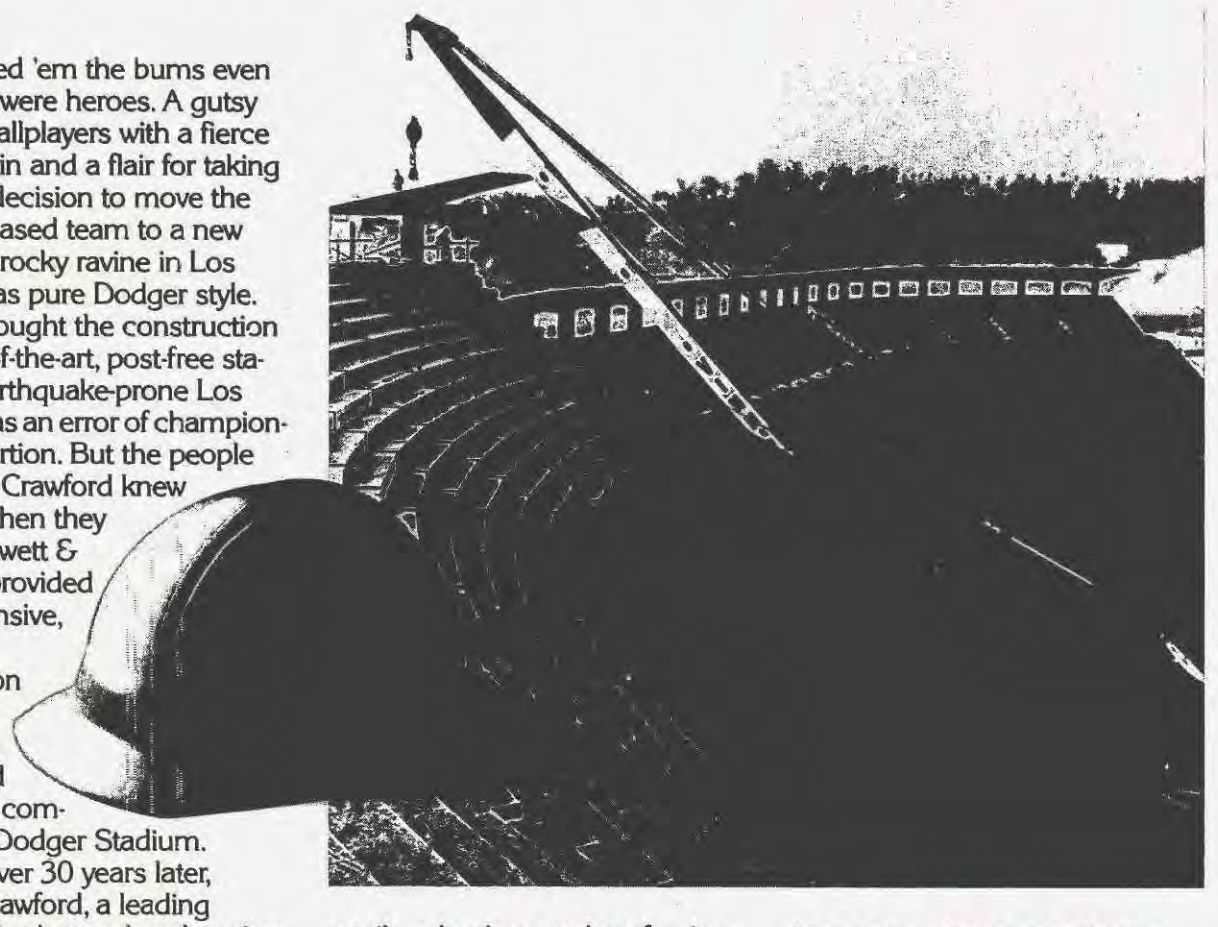
• Advanced CTRACK—Certificates of Insurance Tracking: $1,190; unbundled hardware and software; personal computer or local area network; year of first installation, 1989; 10 total installations, all in risk management departments; system includes features of CTRACK in addition to automatically checking certificates for compliance. Coverage clauses and policy limits are checked and recorded.

• ACCESS—The Claims Information System: $7,000; unbundled hardware and software; personal computer or local area network; year of first installation, 1986; 15 total installations, four in risk management departments; functions include full financial and safety reporting for self-insureds, check and voucher writing system is available.

• CERTS—Certificates of Insurance Issuing: $1,900; unbundled hardware and software; personal computer or local area network; year of first installation, 1987; seven total installations, three in risk management departments; system is designed to issue large volumes of certificates of insurance and other forms and letters and to produce management reports.

Continued on next page

In the 1950's we helped the Dodgers build a diamond in the rough. Today we still cover all the bases.



They called 'em the bums even when they were heroes. A gutsy group of ballplayers with a fierce desire to win and a flair for taking risks. The decision to move the Brooklyn-based team to a new home in a rocky ravine in Los Angeles was pure Dodger style.

Many thought the construction of a state-of-the-art, post-free stadium in earthquake-prone Los Angeles was an error of championship proportion. But the people at Swett & Crawford knew a winner when they saw one. Swett & Crawford provided comprehensive, course-of-construction insurance protection that helped assure the completion of Dodger Stadium.

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Headquarters: 3699 Wilshire Boulevard, Los Angeles, CA 90010

Continued from previous page

New clients: 54 new clients.
User support: Telephone assistance available 12 hours per day. Additional training and support available.
Principal officers: Thomas Seligman, president.

Surplus Risk Services

3465 Torrance Blvd., Suite N, Torrance, Calif. 90503; 213-540-8803; fax: 213-543-2391

Year founded: 1982.
Software products:
• ForeRisk Certificate: $895; unbundled hardware and software; personal computer; year of first installation, 1989; more than 200 total installations, 110 in risk management departments; functions include tracking certificates of insurance, issuing reminder letters.
• ForeRisk II: $2,195; unbundled hardware and software; personal computer; year of first installation, 1989; 110 total installations, 72 in risk management departments; functions include forecasting.
• ForeRisk Tracking: $8,195; unbundled hardware and software; personal computer; year of first installation, 1989; 28 total installations, 17 in risk management departments; functions include claims tracking, data analysis, statistical reporting.
Staff: 14 total, nine professionals.
New clients: 338 total; 199 risk management department clients; 63% with gross revenues less than $200 million, 11% $200 million-$500 million, 26% $500 million-$1 billion.
User support: Telephone assistance available 12 hours per day.
1989 gross revenues: More than $1 million total; 41% from consulting, 48% from sale of software, 11% from services.
Branch offices: San Francisco.
Principal officers: Frederick Fisher, president; William F. Becker and Aubrey Payne, vps.
Contact: Frederick Fisher.

T

3R Company

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

Year founded: 1985.
Software products:
• QuoteTester: $75; unbundled hardware and software; personal computer; new product; system is designed to compare competitive quotes on benefits programs or on casualty insurance programs.
• Triangle Analysis: $400; unbundled hardware and software; personal computer; year of first installation, 1985; 10 total installations, one in a risk management department; functions include loss development, loss rating and color graphics.
Staff: One who is a professional.
Clients: Two total.
User support: Telephone assistance available one hour per day.
1989 gross revenues: 100% from sale of software.
Principal officers: Joseph A. Rinaldi, owner.

Tillinghast

200 Renaissance Center, Suite 2700, Detroit, Mich. 48243; 313-567-6616; fax: 313-567-0512

Year founded: 1934.
Parent company: Towers, Perrin, Forster & Crosby.
Software products:
• RISKMASTER: $12,000 for personal computer, $35,000 for mini computer; unbundled hardware and software for personal computer; bundled hardware and software for mini computer; year of first installation, 1982; 500 total installations, 480 in risk management departments; functions include general claims administration, workers compensation, vehicle accidents, litigation and policy management.
• RISKMASTER CM9000: $9,000 for personal computer, $20,000 for mini computer; unbundled hardware and software for personal computer; bundled hardware and software for mini computer; year of first installation, 1989; five total installations, all in risk management departments; functions include workers compensation cost containment.
Staff: 40 total, 35 professionals.
Clients: 180 total; 175 risk management department clients; 100% with gross revenues less than $200 million.
User support: Telephone assistance available nine hours per day, on-line support.
1989 gross revenues: $15 million total; $1 million from risk management information systems; 60% from sale of hardware, 25% from sale of software, 5% from services.
Branch offices: London.
Principal officers: P. Carabott, K. Kahn, R. Wolfe.
Contact: Peter Carabott or Kim Kahn.

The Travelers

One Tower Square, Hartford, Conn. 06183; 203-277-8828; fax: 203-277-2876

Year founded: 1864.
Parent company: Travelers Corp.
Software products:
• CARMA: unbundled hardware and software; mainframe or time share basis; year of first installation, 1983; 240 total installations, 63 in risk management departments; functions include property casualty loss reporting and analysis.
• PC CARMA: unbundled hardware and software; personal computer; year of first installation, 1986; 85 total installations, 70 in risk management departments; functions include property casualty loss reporting and analysis.
• INFORM: unbundled hardware and software; mainframe-timeshare; year of first installation, 1988; 48 total installations, 45 in risk management departments; functions include employee benefits loss reporting and analysis.
• SAILOR On-Line: unbundled hardware and software; mainframe-timeshare; year of first installation, 1985; 650 total installations, 450 in risk management departments; functions include property casualty loss reporting.
Staff: 116 total, 88 professionals.
Clients: 28 total; 10% $200 million-$500 million, 10% $500 million-$1 billion, 60% $1 billion-$3.5 billion, 20% exceeding $3.5 billion.
User support: User groups and meetings, telephone assistance available 10 hours per day, account representatives.
Branch offices: Los Angeles.
Principal officers: Jack Gardner, vp; Ken Martino, director.

W

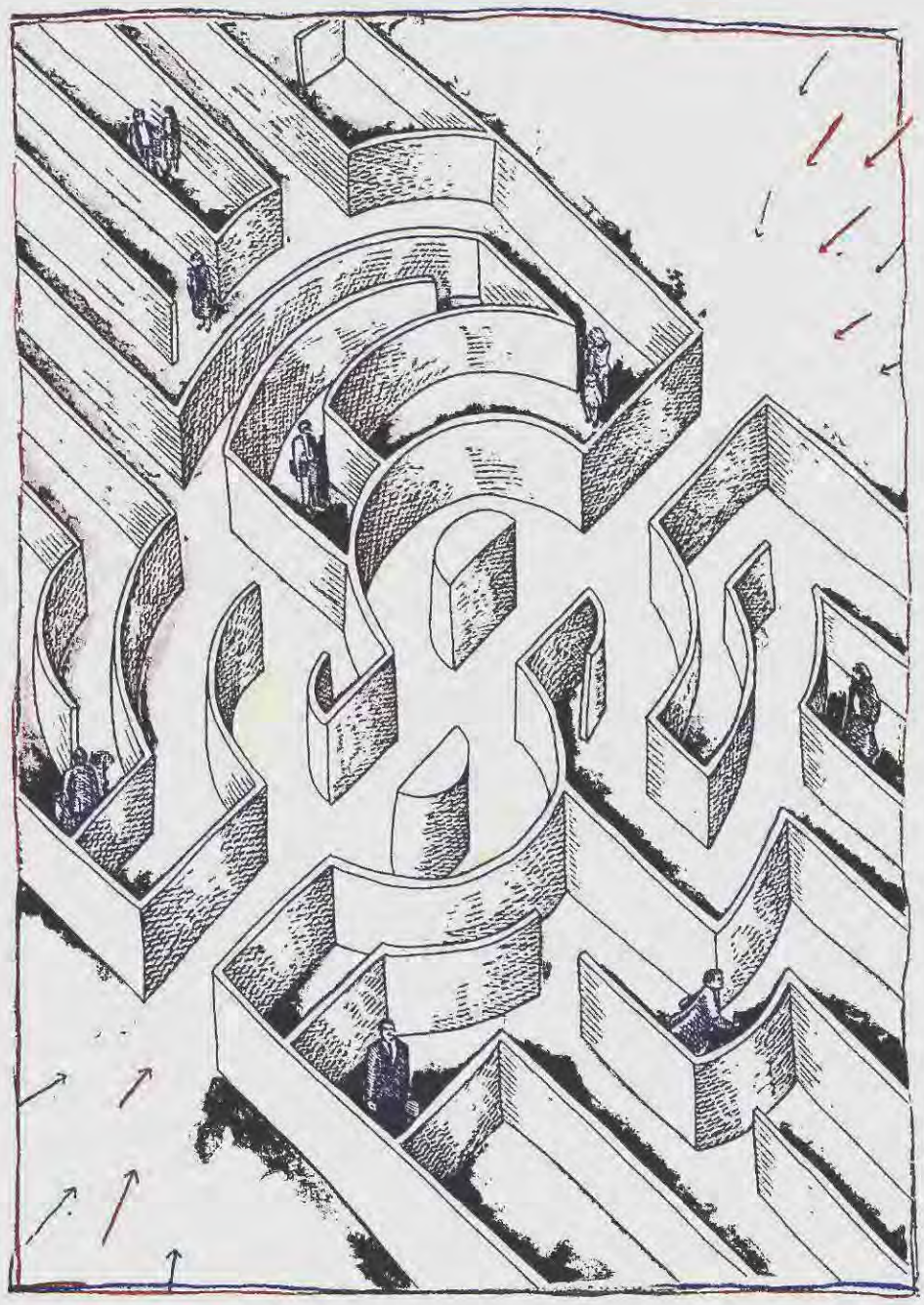
WLT Software of Florida Inc.

2087 U.S. 19 N., Suite D, Clearwater, Fla. 34623; 813-797-7814; fax: 813-797-1476

Year founded: 1979.
Software products:
• COMPCLAIMS: $15,000-$30,000; bundled or unbundled hardware and software; personal computer; year of first installation, 1985; system is designed to administer and pay workers comp claims.
User support: User groups and meetings, telephone assistance available nine hours per day, system enhancements, modem support, complete documentation and training.
Principal officers: William L. Tiner Jr., president.
Contact: Ann M. Brooks.

Continued on next page

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Continued from previous page

The Wyatt Co.

303 W. Madison St., Suite 2400, Chicago, Ill. 60606; 312-704-0600; fax: 312-704-8111

Year founded: 1943.
Software products:

- Wyatt Claims Manager: $20,000; unbundled hardware and software; personal computer; year of first installation, 1989; five total installations, all in risk management departments; functions include incident and claims information systems, claims cost and status tracking and reporting.
- Wyatt FIRST (Financial Reporting and Statistical Tracking): $8,500; unbundled hardware and software; personal computer; year of first installation, scheduled for 1990; system is designed to do financial reporting and equity allocation for pools and groups, reports.
- Wyatt Worker System: $10,000; unbundled hardware and software; personal computer or mainframe; year of first installation, 1990; one installation, in a risk management department; functions include cost control for workers comp, long-term disability, sickness and accident.

Staff: 115 total, 90 professionals.
User support: Telephone assistance available eight hours per day, on-site consulting.
1989 gross revenues: $400 million total.

Branch offices: Boston; Dallas; Detroit; Philadelphia; San Francisco; Washington D.C.; Calgary and Vancouver, British Colombia; Montreal; Toronto; San Juan, Puerto Rico.

Principal officers: Sylvain Dion (Chicago); James A. Swanke (Boston); Arthur E. Parry (Dallas); Henry P. Devlin (Detroit); Jay Levenson (Philadelphia); Thomas G. Briggin (San Francisco); Edgar W. Armstrong (Washington D.C.); Jack M. Gordon (British Columbia); Robert Briere (Montreal); Vince Brewerton (Toronto); Santiago Gutierrez-Armstrong (San Juan, Puerto Rico). ■

DRG cost study

Continued from page 2

pitals with more than 99 beds."

Rand then studied the cost of care for 24 DRGs. That group accounted for 118,000 stays.

The study found that the cost of care in a hospital declined sharply after the initial days of care for Medicare patients requiring medical treatment only as well as those requiring surgery.

For example, among Medicare patients requiring only medical care, the study found that:

- The average cost of the first day of hospital care for a typical stroke patient was $889. But, by the fifth day of care, the cost had declined to $404, or 45% of the cost of the first day of care.
- For a patient with a kidney infection, the cost of care the first day averaged $710. But, the cost of care by the fifth day averaged $369, or 51% of the cost of the first day of care.

Among Medicare patients requiring surgery, the study found that the first day's costs for angioplasty—vascular procedures that do not involve major reconstruction—averaged $1,903. Rand figures the surgery was performed during the first day of the hospital stay. But, by the fifth day, the cost of care dropped to $773, or 40.6% of the cost of care the first day.

The authors noted that for the three cardiac surgery DRGs examined—angioplasty, coronary bypass and major reconstructive vascular procedures—as well as hip replacement, the cost of the initial day of care was as much as four times that of the last days of an exceptionally long stay. An exceptionally long stay was defined as more than 15.9 days beyond the average stay for such surgery.

The study found only one exception to this so-called "L-shaped curve" of rapidly declining cost of care after the initial days of hospital care among Medicare patients in the 24 DRGs studied: The cost of rehabilitation fluctuated little, with the first day of care costing $437 on average and the fifth day costing $417, or only 4.6% less.

The study authors noted that "approximately the same services are likely delivered during each day of a stay in this DRG (as opposed to the more typical hospitalization, in which many diagnostic and/or treatment procedures are performed during the first few days)."

"There's no surprise that inherent in a per-diem (reimbursement arrangement) is an underpayment in the first few days and overpayment thereafter," agreed Lawrence Leisure, vp and national practice leader with TPF&C, the benefits consulting division of Towers, Perrin, Forster & Crosby Inc. of New York.

"Per diems will only work if it's set at the right level—optimum cost per stay divided by optimum number of days," Mr. Leisure said. "You've got to make sure you've got a strong utilization management function."

"A per-diem rate, which is thought to be a way of controlling utilization, probably doesn't," said Dr. Tom Mayer, an associate with benefits consultant William M. Mercer Inc. in Los Angeles.

While the results of the Rand survey "could be" the impetus for more emphasis on utilization management among private payers, "many of the good quality PPOs have this as part and parcel of their deal" with payers, said Art Drechsler, national practice leader-group benefits for New York-based consultant Martin E. Segal Co.

Mr. Drechsler explained that if the per-diem cost is high relative to the hospital's actual cost, "then there's an incentive to keep patients longer." With a per-diem system, "there will be some perverse incentives," encouraging overuse of resources, he said.

"A per-diem rate can be great as long as you have utilization control and you're able to negotiate with the provider," said Rich Sinni, national director-health management practice for Buck Consultants Inc., a benefits consultant in Harmon Meadow, N.J.

Per diems should reflect actual costs of care, and "very often, you will see a per diem at one rate" for the initial few days and then lower for the rest of the stay, he said.

Rand's Ms. Carter said that given the pervasiveness of the L-shaped curve across DRGs, a lower per-diem rate should be paid after five or six days of a stay—the point at which most L-shaped curves leveled off for most DRGs.

Ms. Carter also noted that with the study's findings and the creation of a data base, Rand may examine six other health care issues, although no specific projects have been proposed yet. The issues are:

- The correlations between age-adjusted and sex-adjusted hospitalization rates and both length of stay and daily cost within the stay.
- The relationship between quality of care and the cost of care.
- The use of special care units by hospitals in various regions of the country.
- The role of other clinical characteristics, such as a Medicare patient's age, in determining cost patterns.
- Whether certain physicians regularly require more expensive treatments.
- The pattern of resource use relative to day of surgery and day of death.

•

A copy of "How Services and Costs Vary by Day of Stay for Medicare Hospital Stays," R-3870-ProPAC, can be obtained for $10 by writing to Rand Corp. Publications Department, 1700 Main St., P.O. Box 2138, Santa Monica, Calif. 90406-2138; 213-393-0411, ext. 6686.

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Cherokee suit

Continued from page 2

representing reinsurance that has not been recovered from the five companies, as well as an unspecified amount of punitive damages.

Blanch, meanwhile, has filed an answer denying the charges and arguing—among other things—that Cherokee's claims should be barred because it consented to the reinsurance placements.

"We deny any and all allegations in the lawsuit," said Donna M. Hentges, a managing partner with Blanch in Minneapolis, who declined to comment further on the complaint.

Cherokee, formerly a unit of Toledo, Ohio-based Dana Corp., was declared insolvent and placed in rehabilitation by the Tennessee Insurance Department in 1984.

As of year-end 1989, Cherokee's insolvency was estimated at between $35 million and $40 million, according to David S. Weed, special deputy Tennessee insurance commissioner in charge of Cherokee's rehabilitation and a partner with the Nashville law firm of Littleton, Weed & Hubbard.

However, this amount does not take into account potential recoveries in several lawsuits brought by Cherokee, including two separate actions against Dana, Mr. Weed said.

Under Cherokee's rehabilitation plan, the insurer has paid direct insurance policyholders' claims in full and has set up reserves for about 300 third-party lawsuits still pending against Cherokee liability policyholders, Mr. Weed said.

If any money is left in the estate after these suits are settled and Cherokee's lawsuits against Dana and others are resolved, the insurer will try to settle claims of general creditors, including roughly 100 ceding insurers from which Cherokee assumed reinsurance business.

When all of these claims are settled, the rehabilitator will try to sell Cherokee as a shell company, Mr. Weed said.

Cherokee's suit against Blanch, filed June 4 in Davidson County Chancery Court, also names Blanch General Partners E.W. Blanch Jr., Michael W. Cashman Sr., Frank S. Wilkinson and Paul S. Mavros.

According to the complaint, Blanch served as Cherokee's "predominant" reinsurance intermediary from the late 1960s until 1985.

Among its duties, Blanch was to evaluate Cherokee's reinsurance needs, collect information on Cherokee's business to submit to potential reinsurers, evaluate the financial stability of potential reinsurers and make reinsurance placements, the complaint says.

However, several of Blanch's placements in the early 1980s turned sour, the suit says.

A large part of Cherokee's unrecoverable reinsurance relates to Blanch's placement of Universal Re, Mission and Northwestern National on Cherokee's combined property and casualty excess-of-loss treaty between 1980 and 1984, the suit says.

Universal Re wrote 30% of the working-layer treaty in 1980, raising its participation to 50% in the years from 1981 to 1983, the suit says. Northwestern National wrote a 50% share in 1984.

Mission, meanwhile, wrote a 25% share of the treaty from 1982 through 1984, the suit says.

In addition, Mission, Transit and Mutual Fire all participated on various other reinsurance contracts placed on behalf of Cherokee by Blanch, Mr. Weed said.

According to the complaint, Cherokee's $2.5 million in unrecovered reinsurance comprises:

- $1.3 million owed by Universal Re.
- $529,750 owed by Transit.
- $397,288 owed by Mutual Fire.
- $307,287 owed by Mission.
- $1,639 owed by Northwestern National.

Blanch also failed to exercise "reasonable skill, diligence and due care" by concentrating Cherokee's business with a few reinsurers and by gambling on inexperienced reinsurers that did not have a proven track record in the market, the suit charges.

Transit did not start writing reinsurance until 1978, while Mission did not enter the reinsurance market in 1980, the complaint notes.

In its answer, Blanch concedes that it served as an intermediary on Cherokee's reinsurance placements, but it denies it was the insurer's "predominant" intermediary or that it managed Cherokee's reinsurance program.

The intermediary also argues that Cherokee's claims should be barred because it ratified Blanch's actions and was at least partially responsible for its unrecoverable reinsurance problems.

Meanwhile, Cherokee's claims in the lawsuit may be complicated by the possibility that Universal Re could pursue an offset claim against Cherokee, Mr. Weed conceded.

Universal Re could argue that the amounts it owes Cherokee are more than offset by amounts Cherokee owes Universal Re on reinsurance claims Universal Re has not recovered from the insolvent company.

Universal Re President John R. Diers emphasized that Universal Re and Northwestern National are both solvent but declined to comment on any potential offset claim against Cherokee.

Universal Re's 1989 annual statement reports $7.6 million in reinsurance recoverable from Cherokee on paid and unpaid losses.

Regardless of the possible offset claim, Cherokee maintains that anything less than 100% payment by Universal Re will allow Cherokee to pursue a negligence claim against Blanch. A partial payment by Universal Re may change the amount of damages Cherokee seeks from Blanch, a lawyer for Cherokee said, explaining that the rehabilitator will demand that Blanch pay the difference between what Universal Re pays and the full amount of Cherokee's claims. ■

NCCI

Continued from page 1

"It's gratifying to see them move in this direction before the NAIC came out with a pronouncement requiring them to do so," Mr. McCartney said.

"It's good that the NCCI is being responsive to regulators and recognizes the need to be more flexible," said Joseph Edwards, superintendent of the Maine Insurance Bureau and chairman of the NAIC's Workers Compensation Task Force.

However, the NAIC still intends to conduct an intensive study on the ramifications of limiting the NCCI to providing loss cost data only instead of calculating fully developed advisory rates, Mr. McCartney noted (*BI*, March 19).

This is especially important because "the jury is still out" on the impact of the loss-cost approach the Insurance Services Office voluntary adopted last year, Mr. Edwards said.

ISO, which has formulated advisory rates for most lines of property/casualty insurance other than workers compensation, decided in April 1989 that it instead would only provide prospective loss costs to member insurers (*BI*, June 25; April 10, 1989).

ISO took that action after another NAIC subgroup recommended that ISO provide loss costs instead of advisory rates.

The NCCI's board of directors formally approved the establishment of procedures for changing its primary focus to the preparation and filing of prospective loss costs at a July 12 meeting.

The NAIC had previously defined prospective loss costs as "that portion of a rate that does not include provisions for expenses (other than loss adjustment expense) or profit, and are based on historical aggregate losses and loss adjustment expenses

Continued on next page

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LOUISVILLE INSURANCE COMPANY, LTD. (Lime Street Ins. Co. Ltd.)	Oct. '86	"...A disturbing trend of rapid premium growth and inadequate technical reserves..."	B	"WE ADVISE CAUTION..."
KRAFT INSURANCE COMPANY, LTD. (Kingscroft Ins. Co. Ltd.)	Oct. '86	"Free reserves are only barely adequate..."	B	"WE MUST NOW ADVISE CARE..."
LOUISVILLE INSURANCE COMPANY, LTD. (Lime Street Ins. Co. Ltd.)	Jan. '89	"The real question is whether discounted loss reserves will cover the losses..."	U	"FUTURE DOES NOT LOOK GOOD..."
WALBROOK INSURANCE COMPANY, LTD.	July '88	"...This year (1987) has seen results worsen sharply following the need to strengthen reserves..."	B	"CARE..."

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Setting New Industry Standards

NCCI

Continued from previous page
projected through development to their ultimate value and through trending to a future point in time."

The NCCI's action was influenced by the ongoing efforts to amend the federal McCarran-Ferguson Act as well as Proposition 103 in California, Mr. Hager explained. These initiatives "heightened" the debate between the insurance industry and consumers over the appropriateness of advisory rates, he said.

"By acting in the spirit of the NAIC recommendations, we hope to remove a lot of the rhetorical heat from the issue and help to calm the regulatory and legislative environment," Mr. Hager said.

"Although the NCCI continues to believe that going to loss costs will not result in lower system costs for insureds, we feel that if taking such action is consistent with regulatory and public desire, that would be a large plus for all parties concerned—employers, employees and carriers," he said.

"It eliminates the last major argument that the property/casualty industry is committed to industry-wide final rates," said Eric Oxfeld, counsel to the American Insurance Assn., which represents 230 property/casualty insurers.

However, Congress Watch, the lobbying arm for consumer group Public Citizen, sees the NCCI's move only "as a way to avoid federal legislation to prohibit price fixing," said Caroline A. Smith, staff attorney and insurance specialist. "It doesn't replace the need for federal legislation in the area," she said.

Marc Rosenberg, vp for federal affairs at the Insurance Information Institute in Washington, D.C., said it is "unlikely" that the NCCI's action will affect the current debate in Congress over proposed amendments to the McCarran-Ferguson Act. The House Judiciary Committee last month approved legislation that would strip insurers of their key exemptions from federal antitrust law (*BI,* June 25).

Mr. Hager noted the NCCI would be flexible in providing the type of data—either fully developed advisory rates or loss costs only—that state regulators desire.

The NCCI's "action leaves the question of the mechanics of workers compensation rate setting strictly up to local legislators and regulatory authorities," Mr. Hager points out. "We have taken ourselves out of their debate and stand ready to work with them in whatever rate setting environment they believe best suits their needs."

However, the NCCI wants to encourage a uniform approach among those states that decide to move to a loss-cost approach, so it can respond immediately with an appropriate filing. To that end, it wants to work with the NAIC to draft a model loss-cost bill applying to workers compensation insurance.

One option may be to make minor changes to existing model laws so they will cover workers comp, Mr. McCartney said.

However, it may be some time before states like Nebraska consider changing their methodology for setting work comp rates from advisory rates to loss costs because they currently have their hands full implementing the ISO change, Mr. McCartney said.

Proponents of the loss-cost approach, citing states that have implemented so-called open rating or competitive rating statutes, say that small insurance buyers especially benefit from the system, because insurers compete both by charging lower premiums and offering better loss control services.

"We are hopeful that it will increase competition," Mr. McCartney said.

In addition, a loss-cost approach makes more information available to regulators since insurers must individually file their own information concerning underwriting expenses and profit, proponents say.

However, other observers are more skeptical.

"Moving to loss costs does not lower the cost of the workers compensation system," Mr. Hager said. "The problem with high costs is not the ratemaking methodology but high claims," he said.

"Basically, the change is that more people will be doing the arithmetic and that probably will add expense because of the duplication of effort. But the net result will be that everyone arrives at the same point anyway," said the III's Mr. Rosenberg.

In theory, each insurer applies its own profit and underwriting expense component to the overall workers compensation rate, he said. But since that is such a small part of the workers compensation price component, there won't be any significant difference among insurers, he said.

"It will not necessarily reduce costs" and it could increase the costs to policyholders of some companies because insurers will face the addition expense of calculating final rates on their own, said Steven Millikan, vp and director of workers compensation for the Schaumburg, Ill.-based Alliance of American Insurers.

The move to loss costs may hurt small insurers, especially those that do not specialize in writing workers compensation insurance but merely write it to accommodate the needs of clients buying other lines of coverage, Mr. Millikan said. Those insurers will face significantly higher costs to calculate their expenses and profit, which they are likely to attempt to pass on to policyholders.

If not enough buyers will pay those higher prices, the insurers may ultimately withdraw from the workers compensation marketplace, he said.

And any reduction in workers compensation insurance capacity may be a particular problem in some troubled states that have "fragile" work comp markets, Maine's Mr. Edwards emphasized.

However, Mr. Millikan noted that a switch to a loss-cost approach would give a marketing advantage to large insurers as well as smaller companies that specialize in work comp insurance, especially those companies operating in a limited geographic area.

But, others have noted they fear that a switch to a loss-cost approach may cause insurers to cut rather than enhance loss control services because of the added expense of calculating final rates.

Opponents of the switch to loss costs also contend that regulators, especially those in small states, may be overburdened by the increased number of rate filings by individual insurers.

However, Nebraska's Mr. McCartney said insurers filing their own workers compensation rates will not create a problem because he anticipates that each insurer would file only one or two additional pages of information that departmental personnel would review in a "cursory" fashion.

While the shift in the NCCI's focus is significant, it will not substantially alter the NCCI's day-to-day operations, the NCCI said in a statement.

Most of the council's work consists of assembling the claims data used to develop loss costs and in providing services like preparation of experience rating modification factors for individual employers.

In addition, the NCCI will continue to provide other services including the development of policy forms, classification plans and underwriting manuals.

However, "by eliminating the loss-cost issue we can concentrate the discussion where it belongs," Mr. Hager said, referring to the underlying forces driving up the cost of the work comp system.

"We hope that attention now will be concentrated on forces that are driving up workers compensation rates in many states—with particular attention to raging medical cost inflation and rampant litigation," agreed the AIA's Mr. Oxfeld. ■

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Savings plan rules to aid employers

Changes to ease investment liability

By JERRY GEISEL

WASHINGTON—Under revised rules being drafted by the Labor Department, employers could more easily be relieved of fiduciary liability for investment decisions made by employees in their defined contribution plans.

The new rules would permit employers to offer fewer investment alternatives in the plans and still be relieved of fiduciary liability.

Rules governing participant-directed investments, originally proposed in 1987, are being withdrawn, Labor Department officials said last week (*BI*, Nov. 9, 1987).

Because so many changes are being made, proposing new rules made more sense than revising the 1987 versions, said a Labor Department spokesman.

Publication of the new rules is expected within four to six weeks, he said. A relatively short public comment period—about 30 days—is expected to follow.

These rules are important to employers that sponsor defined contribution plans—like 401(k) salary reduction plans—that let employees choose among investment alternatives.

Under the Employee Retirement Income Security Act of 1974, employers, as plan fiduciaries, are expected to exercise the same skill, prudence and diligence a "prudent man" would use in investing plan assets.

'Labor was requiring too many funds to be offered,' says Karen Frost of Hewitt Associates.

Employers also are expected to diversify plan holdings to minimize the risk of large losses on a bad investment.

Under section 404(c) of ERISA, though, many employers that give plan participants control over their investments could not be held liable for losses from a participant's investment decisions.

To qualify for the Section 404(c) exemption, an employer—under both the withdrawn and forthcoming Labor Department regulations—would have to offer a broad range of investment alternatives. Each alternative must meet a specific investment objective.

The forthcoming regulations, though, will reduce to three from four the types of investment alternatives employers must offer to qualify for the Section 404(c) exemption, the Labor Department spokesman said.

Under the new regulations, the primary financial objectives of investment alternatives would have to include:

- Capital appreciation. This could be met by offering an equity fund.
- Generation of a high level of income consistent with preservation of capital over the long term. A bond fund or a guaranteed investment contract, for example, would meet this requirement.
- Generation of a high level of current income consistent with the preservation of capital and a high degree of liquidity. This could be met by offering a money market fund and perhaps a GIC. The new rules are expected to make clear whether a GIC would meet this requirement.

The new regulations are not expected to include a fourth investment alternative, as would have been required by the withdrawn proposal: a fund whose primary objective is a balance between capital appreciation, preservation of capital and generation of income. This could have been met by offering a so-called balanced fund.

In addition, the new regulations are expected to drop an earlier proposed requirement to offer a "safe" fund for employees who do not designate a specific fund for their contributions.

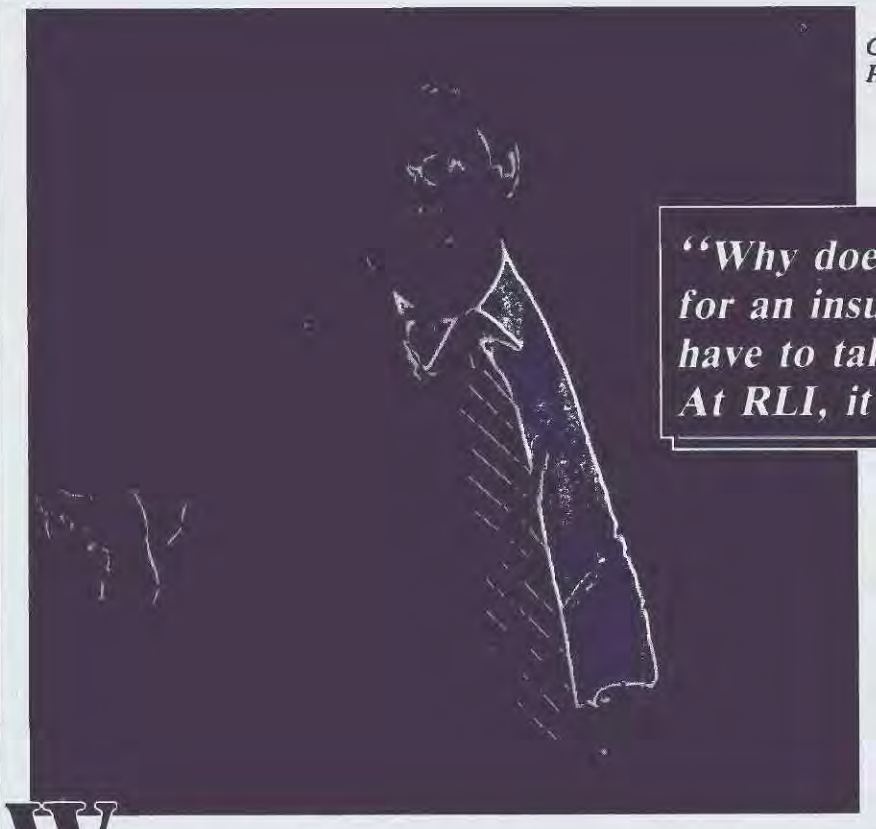
Under the withdrawn regulations, liquid, financial instruments insured by the U.S. government or one of its agencies would have met this requirement.

Employers will welcome the reduction in the number of funds they will have to offer to qualify under Section 404(c), noted Karen Frost, a consultant with Hewitt Associates in Lincolnshire, Ill.

"Labor was requiring too many funds to be offered," she said.

A soon-to-be-released survey by The Wyatt Co. reports that 7% of defined contribution plans offer employees only one fund; 20% offered two funds; 30% offered three funds; and 43% offered four or more, said Tim Hankins, a Wyatt consultant in Sherman Oaks, Calif.

The new Labor Department regulations also are expected to require that participants be given the opportunity to switch funds at least four times a year. The withdrawn regulations also generally required permitting fund transfers at least four times a year. ■



Gerald D. Stephens, CPCU
President & CEO, RLI Corp.

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N.Y. court to review insurers' use of HIV data

NEW YORK—The state's highest court is expected to hear a case early next year on whether insurers may demand the results of human immunodeficiency virus blood tests for use in underwriting small group and individual health coverage.

The Court of Appeals has agreed to hear a case stemming from a 1987 state regulation, which has never been enforced, prohibiting insurers from requesting HIV data.

A group of insurers and their trade associations immediately sued the insurance department and a state supreme court, which is the trial court in New York, found in 1988 that the rule exceeded the authority of the New York Insurance Department.

In February, that decision was upheld by the Appellate Division of the State Supreme Court.

Around the states

Only about 10% of the state's policyholders are covered by small group or individual medical insurance, but use of HIV blood tests would adversely affect the availability of coverage, says a department spokesman.

Small group insurers "can and are using" test data, said the spokesman. "It's a serious thing for someone not to have health insurance."

Gay rights activists charge that insurers frequently use test results to deny coverage.

"Obviously they are fighting for the right to test people to exclude people. The whole reason they are seeking the right to test is to weed people out and not to cover them," said Evan Wolfson, a staff attorney with the Lambda Legal Defense and Education Fund in New York.

The HIV blood test determines the presence of antibodies that may be associated with the presence of the virus that causes acquired immune deficiency syndrome.

State law now requires life and health insurers to obtain written consent from applicants before seeking AIDS-related information or requiring HIV tests (*BI*, March 6, 1989).

New York regulators say they oppose insurers' use of such test data because many people who test HIV-positive do not develop full-blown AIDS or other illnesses.

A lawyer for the lead plaintiff—the Health Insurance Assn. of America—argues that insurers have good reason to use the blood tests, but that the central issue in this case is the separation of powers.

Regulations governing how insurers set rates are properly concerns of the state Legislature and not within Insurance Department jurisdiction, contends Edward N. Costikyan, a partner with Paul, Weiss, Rifkind, Wharton & Garrison in New York.

"What (the Insurance Department) did is inconsistent with other provisions of state law, which means they don't have the power to do it," Mr. Costikyan said.

Briefs to the court are due by Sept. 1 for the department and Oct. 15 for the insurers.

More AIDS cases have been reported in New York than any other state: 30,049 as of May 31, 1990, according to the federal Centers for Disease Control.

According to the Department of Public Health, about 1 million people nationwide are infected with HIV, and by 1993 up to 480,000 will have contracted AIDS.

—By Sam Cristy

N.Y. med mal rates

NEW YORK—Medical malpractice rates will decrease for most New York doctors this year, regulators predict.

Rates will drop an average of 5% for the policy year from July 1 to June 30, 1991, the state Insurance Department predicted. Most physicians in the state experienced no rate increases in 1990.

Superintendent of Insurance Salvatore R. Curiale attributed the rate slip to "favorable loss experience and projections of future losses."

Approximately 24,000 individually insured physicians are expected to be affected.

Also, the department will allow the Medical Liability Mutual Insurance Co. to repay the more than $8 million it has borrowed from retired and disabled physicians, as well as the estates of deceased physicians. The department froze the repayment of these loans in 1984 due to the shaky financial condition of MLMIC, the state's largest malpractice insurer (*BI*, April 1, 1985).

—By Sam Cristy

Takeover deterrent

BOSTON—A Massachusetts law aims to discourage corporate takeovers by requiring lump-sum payments for employees who lose their jobs following a corporate takeover.

The measure—which took effect when it was signed by Gov. Michael Dukakis—makes Massachusetts the first state to require such "tin parachutes" for non-executives.

Acquiring companies now must give employees with three or more years of service two weeks pay for each year they have worked if they are involuntarily terminated after the takeover.

Workers terminated in anticipation of a takeover would also be paid. The same lump-sum payment is required for workers terminated in the year before a takeover or in the time between an acquiring company gains a 5% interest in a target and the control is gained.

Companies with 50 or more workers with headquarters in Massachusetts or those that sell services solely in the state are covered.

The law applies only to involuntary terminations. It was intended to prevent the takeover of Norton Co., an abrasives manufacturer in Worcester, Mass., by BTR P.L.C. of Britain, said John Gould, president of Associated Industries of Massachusetts, a business lobbying group in Boston.

Norton has been operating for about 75 years, said Mr. Gould. Business lobbyists and some legislators were concerned about large-scale layoffs following a BTR takeover.

Shortly after the Massachusetts law was passed, however, Norton allowed itself to be sold to Saint-Gobain, a Paris company, for $1.9 billion.

—By Laura Mazzuca



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INTERNATIONAL

GATT could force changes in state rules

By STACY SHAPIRO

PARIS—U.S. insurance regulators could be forced to harmonize some of their regulations so that insurers are treated equally in each state under rules being considered in the current round of General Agreement on Tariffs and Trade negotiations, a U.S. Commerce Department official says.

This could include relaxing restrictions on the operations of foreign insurers, the official said.

However, the GATT negotiations on freedom of services are not expected to disrupt current state and federal discussions on harmonizing insurance solvency requirements, said Linda F. Powers, deputy assistant secretary for service industries and export trading companies of the Commerce Department's International Trade Administration.

The GATT talks on services are designed to eliminate trade barriers erected by some countries and some U.S. states against insurers, reinsurers and other foreign service companies, she said in an interview.

Although the talks are not necessarily designed to harmonize state regulations, it is possible some states may have to alter their rules to meet GATT requirements, she said.

"The kind of decisions that are made (in GATT) will override what decisions (state and federal) regulators make," she said.

"The services agreement being negotiated in Geneva will have important implications for insurance companies wherever they are based," agreed Maurice R. Greenberg, chairman, president and chief executive officer of American International Group Inc. in New York.

"Many American, as well as European, companies appear to have been somewhat indifferent to these discussions," he said at the International Insurance Society Inc. conference in Paris earlier this month.

"This is a mistake. The agreement that comes out of the Uruguay Round (of GATT talks) will determine how and under what conditions insurers can enter new, or expand in existing, markets. Countries that sign this agreement may be obliged to open their markets to foreign insurers," said Mr. Greenberg.

"Congress will not allow issues raised by state insurance regulation to frustrate efforts to open foreign markets to U.S. financial institutions," added James P. Corcoran, a partner with the New York law firm Wilson, Elser, Moskowitz, Edelman & Dicker and former New York insurance superintendent.

Since its inception in 1947, GATT has aimed to promote trade by reducing and eliminating tariffs and quotas. In the latest round of negotiations—dubbed the "Uruguay Round"—the United States proposed an additional "Agreement on Trade in Services."

Observers say that AIG's Mr. Greenberg was instrumental in including negotiations on financial services in the latest round of GATT talks. Some countries prohibit AIG and other foreign underwriters from doing business within their borders.

Continued on next page



Stacy Shapiro

The International Insurance Society Inc.'s annual meeting was held in Paris against the backdrop of the Seine River and the Eiffel Tower.

E.C. may harmonize pension regulations for multinationals

By DENISE CLAVELOUX

KERKRADE, Netherlands—The European Commission is considering a far-reaching plan that would simplify pension plan administration for multinational employers.

The plan would ensure that a multinational company with subsidiaries in several member states of the European Community could operate a single pension fund that covers all of its employees, said Sir Leon Brittan, vp-financial services of the commission.

It also would ensure that pension fund managers have full freedom to manage funds in all E.C. states and that there is full freedom of cross-border investment of pension fund assets, he said.

The plan would result in improved portfolio diversification and a more efficient allocation of capital, Sir Leon said.

Sir Leon outlined the forthcoming plan earlier this month at the International Pension Conference in Kerkrade, The Netherlands.

The commission, which investigates laws that should be standardized throughout the European Community and drafts proposed directives, expects to release firm proposals by the end of the year.

The commission then would send the proposed directive to the European Council of Ministers for approval. The council, which consists of representatives of the heads of the 12 E.C. states, then would send the proposal to the European Parliament for review.

The Parliament, whose members are elected by citizens in E.C. states, can amend the proposal. But, any amendments must be unanimously approved by the Council of Ministers.

The size of pension funds in many European countries makes

Continued on next page

Single policy to cover risks throughout E.C.

By MARIA KIELMAS

LONDON—A new Zurich Insurance Co. unit is offering a policy designed to meet commercial property/casualty insurance needs throughout the European Community with a single contract.

Zurich's new "Europolicy" will provide corporations with up to 50 million pounds ($90.9 million) of property damage and business interruption coverage and 20 million pounds ($36.3 million) of liability coverage.

Officials at the Zurich, Switzerland-based insurer say that higher limits are available on request, but there is no particular maximum.

The "Europolicy" is unique in that it has core wording for operations in all E.C. countries and can be endorsed to suit separate needs within individual countries, Zurich says. It differs from a global insurance program, which offers local policies with local wording in each country and then provides a master umbrella contract on top of the local policies.

Gaps that can develop in a global program between local and master policies would be alleviated, according to Zurich.

Through branches in several E.C. nations, Zurich will offer the Europolicy and offer pan-European services to commercial buyers. A new London subsidiary—Zurich International (U.K.) Ltd.—was established July 1 with an initial 10 million pounds ($18.2 million) in capital. Other units have been set up in West Germany, The Netherlands, France, Italy and Belgium.

Introduction of the policy coincided with the effective date this month of the European Community's second non-life insurance directive, which allows cross-border placement of insurance for large commercial policyholders (*BI*, July 2).

Zurich officials introduced the policy in London earlier this month.

Rolf F. Hueppi, president and chief operating officer of Zurich and deputy chairman of Zurich International, said the new policy will provide policyholders throughout the European Community with insurance contracts that cover all their distribution and production facilities, regardless of their location.

The Europolicy will "take account of market practices and requirements which still differ considerably from one country to another," he noted.

However, it will still be subject to local legal interpretations, he said.

The policy's main features are:

- It is a single policy that caters to the commercial insurance and service requirements of policyholders in all E.C. member states.
- Core wording for "all-risk" property and comprehensive third-party liability, which can be endorsed to provide broader coverage where necessary.
- Customers receive the policy in their own language.
- The policyholder will continue to have to pay premium taxes that normally apply in each country where its risks are situated. However, Zurich International will collect the taxes and pass them on to the tax authority in each E.C. nation.

Zurich's Europolicy comes on the heels of a similar policy offered by a joint venture of Lloyd's of London and Sun Alliance Insurance Group P.L.C. (*BI*, June 25). That venture will provide up to $250 million of property damage and business interruption coverage and lower limits of liability coverage. ■

Insurers fear big Filipino quake losses

By KATE McILWAINE

MANILA, Philippines—Insurers may face more than $1 billion in claims from last Monday's massive earthquake and aftershocks in the Philippines.

However, insurers said last week it was too early to attempt to estimate their losses accurately.

It's "guesswork at this stage, but my guess is it will go over $1 billion," said John Bassetto, regional vp and property manager in Manila for American Home Assurance Co., a unit of American International Group Inc.

AIG could face "several million dollars" in claims he said, noting that 50 to 60 claims already had been received by late last week. Ultimately, he expects to receive "hundreds and hundreds" of claims.

AIG is the largest foreign-owned insurer in the Philippines, a market dominated by numerous local insurance companies, many of which cede most of their risk to London and European reinsurers.

CIGNA Corp. is still assessing the damage, said a spokesman for the company's operations in Manila.

Bernard Ryan, Philippines manager for Auckland, New Zealand-based NZI Corp. Ltd., said he expects the insurer's share of the losses to "be relatively minor. Most losses will fall on the local companies."

Insured losses could be lower than expected because many heavily damaged government buildings may not be insured for earthquake exposure.

The Government Services Insurance System, a government-owned insurer that cedes its risks to local companies, could not be reached because of damaged phone lines.

The earthquake, which measured 7.7 on the Richter scale, hit Luzon, the main Philippines island, shortly after 4 p.m. local time on July 16. Hardest hit were the mountain resort cities of Baguio and Cabanatuan north of Manila.

Aftershocks measuring 6.3 and 5.8 on the Richter scale could be felt last Wednesday in Manila and Baguio.

As of late last week, the death toll had climbed to more than 600. That total is expected to grow as rubble from collapsed buildings and homes is excavated.

Mr. Bassetto of AIG said there is no telephone contact with the most severely damaged areas and the main road into Baguio was too severely damaged to be used. Loss adjusters are being sent into the region by helicopter from Manila, he said.

As of last Wednesday, CIGNA reported receiving 12 claims, mainly for damage to buildings in the business district of Manila.

CIGNA also insured two major risks in Baguio, including a plant operated by Texas Instruments Inc.

A spokeswoman for Texas Instruments in Dallas said that the plant had sustained "minor" physical damages and there were no reports of injuries or deaths.

She was not able to confirm that CIGNA insured the facility.

At least 50 people died after the quake collapsed the 12-story Hyatt Terraces hotel and resort in Baguio, according to reports.

A spokeswoman for Hyatt in Chicago said that the hotel was owned by the Manila-based Baguio Leisure Group, a Philippines company. She declined to discuss any details of Hyatt coverage that might apply.

As of July 18, Hyatt had confirmed five earthquake-related fatalities, all of which were hotel staff or dependents. In addition, 29 guests, 22 additional staff members and 26 employees of the hotel casino, which is

Continued on next page



BI/HOLLY SEGUINE

INTERNATIONAL

GATT

Continued from previous page

Last week, trade negotiators in Geneva were supposed to approve a "framework agreement" that would establish principles of free trade in services worldwide, Ms. Powers said.

U.S. delegates have asked that this agreement be binding on each of the GATT signatory countries. Other GATT nations argue that the framework agreement should be more like a code of practice, she said.

Among the principals U.S. negotiators have called for establishing in the services framework are:

- Once foreign firms obtain access to a market, they should receive treatment equal to that afforded domestic firms.
- Foreign firms should be given the right to establish an office to produce a service in the host country.
- Financial entities should be allowed to provide services across international borders.
- Recognition that countries have the right to regulate services provided that such regulations do not nullify or impair the obligations of the agreement.

Once the framework is agreed upon, negotiators will debate specific rules applying to various sectors of the financial services industry, said Ms. Powers. The deadline for resolving these differences is late November, in time for the end of the Uruguay Round in December.

Congress so far has denied U.S. negotiators' requests for an extension of the end of the Uruguay Round, said Ms. Powers. If the details of the service agreement are not ironed out by then, "it's the nightmare scenario" of achieving these goals via bilateral agreements with each country rather than through GATT, she said.

Meanwhile, Ms. Powers urged participants at the IIS conference to get involved in the GATT talks by providing negotiators with a "wish-list" of the restrictions they would like to see removed. The U.S. government is an ally of the insurance industry, she said, because it wants to open previously closed markets.

But, like most U.S. industries, insurers other than AIG have been largely quiet on the GATT issues, Ms. Powers said.

She also warned that trade negotiators during the Uruguay Round are examining regulations that would be required in each country for financial services including insurance. They are looking at such areas as tax rules, and solvency and reserve requirements, she said.

These regulations could affect regulation in some U.S. states. For example, insurance departments may be required to establish equal financial requirements for foreign and domestic insurers and reinsurers, she said in an interview.

She noted that the United States will try to maintain individual state freedoms included in a final agreement. But, she said, other nations may insist that each state have equal requirements for domestic and foreign companies.

"We will look closely at the national treatment (of foreign companies) as to what is discriminatory," she said. "That's what the horse trading is all about."

Mr. Corcoran told the IIS conference that if all states adopted National Assn. of Insurance Commissioners' proposals for uniform regulatory standards, it could become a model for international regulatory standards (*BI*, June 19, 1989).

Congress' determination to open foreign markets "provides an external incentive for the U.S. insurance regulatory system to harmonize itself in a manner that could become a model for international insurance regulatory standards," he said.

"These same standards could be used as an initial basis for discussing global criteria for international reinsurers," noted Mr. Corcoran.

"The NAIC's efforts to harmonize state laws concerning solvency by developing comprehensive financial regulatory standards that all state insurance departments will be expected to implement (will) provide the basis for a response to the current international opportunities," he said.

States meeting the NAIC standard could qualify as "ports of entry" for domestic and foreign companies to obtain what in effect would be a national license, he said.

"This approach provides an opportunity for the U.S. to respond to global solvency concerns in a substantive manner," he added. ■

E.C. pensions

Continued from previous page

such a plan necessary, Sir Leon said.

Total pension fund assets in the 12 E.C. countries are estimated at $1.1 trillion.

Rules governing pension funds vary among member states, reflecting differences in tax laws, social security provisions and employment rules.

For example, restrictions on cross-frontier investments exist in several of E.C. countries, including:

- Belgium, where pension funds must invest up to 15% of their assets to national public sector stocks.
- France, where up to 50% of supplementary pension fund assets must be invested in government bonds.

But, "if pension fund assets continue to be subject to restrictive national legislation, E.C. rules on freedom of capital movements will lose a good deal of their force and purpose," Sir Leon said.

The European Commission does not intend to make all the rules identical, but instead will rely on the concept of mutual recognition, Sir Leon said. Under this concept, E.C. nations would recognize each others systems and would enact guidelines that take these differences into account.

The European Commission has identified three major problem areas in which E.C. members must take a communitywide approach:

- Taxation of pension funds, contributions and benefits.

Sir Leon said the commission will propose to the European Council of Ministers that pension funds continue to be taxed in the countries in which it is established.

However, the commission will propose that taxation of contributions and benefits be determined based on the tax rules of the member state in which the contributor and the beneficiary, respectively, are based.

- Employees' rights.

The commission expects to take a similar approach to deal with problems that may arise over the protection of employees' rights.

For example, when an E.C. state's laws relating to employee representation on pension fund boards act as an obstacle to cross-frontier membership, it will be necessary to operate on the rules of mutual recognition. That, for instance, would give a pension plan participant who resides in a country other than where the pension plan fund is based the same rights as plan participants who live in the country where the fund is based.

- Pension fund regulation.

Regarding supervision of pension funds, Sir Leon said that national authorities will not be able to prevent their citizens from participating in funds in other member states as long as those funds meet the minimum E.C. rules. ■

Filipino earthquake

Continued from 55

operated by the Filipino government agency Pagcor, remained unaccounted for at that time.

The Hyatt hotel had been damaged in a previous earthquake and that may have contributed to its collapse last week, said another insurer.

Mr. Bassetto said the hotel is insured by a local company, although he did not know which one. AIG, which insures Hyatt properties worldwide, wrote the Baguio hotel's business interruption and contents cover, he said.

Other badly damaged buildings in Baguio include the Nevada Hotel and the Hilltop Hotel, two universities and the John Hay United States Air Force Base, where unconfirmed reports say six buildings have fallen down. Damage at the air strip, owned by the U.S. government, reportedly is so bad that only helicopters are able to land.

At Cabanatuan, the most badly damaged structure is the five-story Philippine Christian College, Mr. Bassetto said. According to reports, at least 49 people were killed when the school collapsed.

"In Manila itself, there are a lot of cracks in buildings, but damage is not severe. Our life office building sustained some damage," he said.

AIG had restricted underwriting earthquake coverage, particularly in cities like Baguio, where the earthquake risk is severe, he said.

"The Philippines is right on a fault line. It's as bad as California. There are several hundred shakes a year and five or six big ones, although not as bad as this," Mr. Bassetto said.

This quake is the worst to hit the Philippines since 1976, when 8,000 people died after a temblor registering 7.8 rocked Mindanao.

"The question now is whether some companies will survive this. The solvency margins are unbelievably low for some companies," Mr. Bassetto said, adding that the Philippines market had been soft and earthquake coverage was provided by some local companies at low rates.

CIGNA's spokesman agreed that the local market had been very soft and said he expected the quake to return "some sanity to the market."

London and European reinsurance markets are expected to be hurt by the earthquake because many Philippine insurers have minimal capacity and cede up to 99.9% of the coverage they write. ■

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UAP setting sights on U.K. non-life insurer

By STACY SHAPIRO

PARIS—France's largest insurance company—the second-largest in Europe—plans to double its market share outside France in the next five years.

However, the international growth of Societe Centrale Union des Assurances de Paris will be mainly centered in Europe, says Jacques-Henri Gougenheim, UAP's vice chairman and chief executive officer of UAP International, the insurer's international unit.

UAP still has no plans to expand into the United States, though it has operations in Canada, Mr. Gougenheim says (*BI*, March 19).

At the moment, UAP is looking to buy a non-life U.K. insurance company, Mr. Gougenheim said in an interview at his office during the International Insurance Society Inc. conference earlier this month in Paris.

"We have decided to bring each of our European companies up to a level compatible with our ambition, preferably by internal growth whenever this is possible, but not excluding operations of external growth, whenever it is necessary," Mr. Gougenheim said at the conference.

During the interview, Mr. Gougenheim elaborated on UAP's strategy.

UAP has chosen a five-year target because the single European insurance market will probably be fully implemented by 1995, Mr. Gougenheim said.

"To be a player in Europe, you should be able to sell your services anywhere," he said. Especially in personal lines business, "we are not selling insurance policies; we are selling claims handling services. So if you want to offer good service, you have to have a network. You have to be next door to handle the claims. So we have to own (foreign) companies."

To achieve its aim, UAP—which is 75% owned by the French government—has been one of the most aggressive investors in the past few years in other European insurance companies.

Last year, for example, UAP:

- Purchased Toro Group's Italian insurance subsidiary Allsecures, which has been incorporated into UAP Italiana. The purchase increased UAP's Italian market share to 2% from 1%.
- Increased its ownership of Sun Life Assurance Society P.L.C. in the United Kingdom to 25% from 10.6%.
- Increased its stake in Groupe Victoire in France, which owns Colonia Versicherung A.G., Germany's second-largest insurance company. UAP, along with Compagnie Financiere de Suez, bought 34% of Groupe Victoire for 14.3 billion French francs ($2.47 billion). The transaction was entirely funded by UAP.
- Acquired 91% of GESA, a Spanish emergency assistance group, which merged into UAP Assistance, forming Europe's second-largest emergency assistance company.

And UAP is still on the acquisition trail, according to Mr. Gougenheim. Recently, the company bid for another Italian non-life insurance company, Plus Ultra, though the bidding was eventually won by Norwich Union Fire Insurance Society Ltd. of the United Kingdom, he said.

A Norwich Union spokesman confirmed that the acquisition would be completed this week.

UAP could have made a higher bid for Plus Ultra, but "we already have a company in Italy of the same size," said Mr. Gougenheim. "Buying a second company is not like buying your first company," so the cost wouldn't have justified the move.

However, now that UAP is firmly in two of the three biggest markets in Europe—France and Germany—the French insurer is turning its interest toward Britain, according to Mr. Gougenheim.

"It leads us to the U.K. where we are in life" insurance with Sun Life "but not in non-life," he said.

However, UAP will not launch an unfriendly takeover for a British non-life insurer, he said.

"Our strategy is not to bid for any company anywhere except on a friendly basis," he said. But so far "our friends in the U.K. are not friendly enough."

Altogether, UAP's consolidated insurance revenues increased nearly 16% last year to 64.5 billion French francs ($11.1 billion at appropriate exchange rates) last year from 55.6 billion French francs ($9.2 billion) in

Continued on next page

IIS attracts 430 to Paris

PARIS—The International Insurance Society conference is an opportunity for insurance, reinsurance and brokerage executives to mingle with academicians and discuss major issues affecting world insurance markets.

The IIS's 26th annual conference at the Intercontinental Hotel in Paris was no exception.

More than 430 registrants and 230 guests from 50 countries met July 8-12. Discussion topics included the public image of the insurance industry, regulatory changes worldwide and the importance of solvency requirements. Those attending came from the United States, Europe and the Far East, particularly Japan.

Next year's IIS conference will be held in San Francisco.

For more information, contact Mary B. Silberberg, Executive Director, International Insurance Society, Box 870224, Tuscaloosa, Ala. 35487-0224; fax: 205-384-8973. ■

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UAP strategy

Continued from previous page
1988.

UAP International accounted for 36%—or 23.2 billion French francs ($4 billion)—of UAP's revenues last year, of which 90% was generated in Europe, says the company's 1989 annual report.

Late last year, UAP also restructured its reinsurance operations so that the equity of its UAP Reassurances Group was transferred to Societe Commerciale de Reassurance (SCOR).

UAP now directly or indirectly owns 40% of SCOR, which ranks among the 10 largest reinsurers in the world.

The company also last year signed a commercial cooperation agreement with Banque Nationale de Paris to offer non-life insurance products through the bank, says the company's annual report. Selling insurance policies through banks is what the French have termed "bankassurance," a phrase now used throughout the European Community.

Meanwhile, many observers have noted that the major French, German, Italian and Swiss insurance companies have been more active in establishing European networks than British or American insurers.

British and American insurance company executives have countered that they are amazed at the inflated prices which these European companies have paid to acquire insurance companies to establish their networks.

At the IIS conference, for example, an attendee asked Mr. Gougenheim how UAP justifies the cost of its acquisitions.

"One has to keep in mind that our business is a long-term business," Mr. Gougenheim replied. "Often it is more expensive to build a company (from scratch) where you don't known much. So it is better to buy a company."

Mr. Gougenheim also said in an interview that continental Europeans understand each other's accounting methods better than the British or Americans, which is why the acquisitions look expensive to some.

In many continental European countries, companies value their assets on a historical basis, so that they only have to report the value of the assets at the time they were acquired.

'One of our strategies is not to go in the U.S.,' says Mr. Gougenheim, citing competition.

In the United Kingdom and the United States, however, companies report the market value of their assets at the time they file their annual returns.

So a continental European company, which may look like it's overpriced, actually is not when taking into account the hidden market value of their assets, said Mr. Gougenheim.

Mr. Gougenheim postulated that British insurance companies also are not as aggressive as the continental European companies in acquiring other insurers because British insurers have been stung by big losses and competitive rating in the North American market and don't have the cash that the continental European insurers have.

"One of our strategies is not to go in the U.S.," he said. "We have 320 million people here. Why go to a market that is so competitive?"

Most U.S. insurers also are not big players in the European insurance market, with the exception of American International Group Inc., noted Mr. Gougenheim.

Meanwhile, like other European insurance executives, Mr. Gougenheim is waiting for the giant Japanese insurance companies to make their move and enter into the European market in a big way.

"One of these days, I don't know when, one of the Japanese (insurance) companies will buy a (major insurance) company in Europe," he said. "They've bought 1% here and 2% there, that's all. One night Japanese company X will bid for (a European insurer) at such a price that no one else will bid. Then the rest of them (Japanese insurers) will come in. This will happen. They're just testing the water now."

And the Japanese will then stay in Europe for many years, he said. "Long term is a Japanese word," said Mr. Gougenheim. "I'm not sure whether the Americans can think long term, but I'm sure that the Japanese can't think short term." ■

Byrne calls for unity among insurers

By STACY SHAPIRO

PARIS—More unified lobbying efforts and accounting and regulatory changes could help the insurance industry improve its public image, which is now at an all-time low in the United States, says a leading insurance executive.

"I've been in this business for 30 years and in the U.S. non-life insurance business our reputation has never been worse," said John J. Byrne, chairman and chief executive officer of Fund American Cos. Inc., parent of Fireman's Fund Insurance Co. of Novato, Calif.

One root cause is fluctuating rates, which damage relations between insurers and policyholders, Mr. Byrne said at the International Insurance Society annual conference in Paris earlier this month.

When commercial insurance rates skyrocketed in the mid-1980s, "customers not only withdrew their business, they also withdrew their trust," Mr. Byrne wrote in a paper accompanying his speech. "We lost public acceptance and political clout. The public became angry and that anger was translated into restrictive laws and regulations."

Because the insurance industry has failed to speak to customers and politicians in a single, strong voice, "we've become popular scapegoats to get legislators elected," said Mr. Byrne. "The industry associations are doing a grossly inadequate job to get positive communications across."

He contends that the U.S. public will continue to press government and public institutions to solve societal problems. And they, as a result, will blame insurers and other private institutions, he added.

"The states' attorneys general are becoming more and more a part of our business," he said. Antitrust suits filed by 19 state attorneys general against insurance industry defendants were dismissed last year, but are now being appealed to the 9th U.S. Circuit Court of Appeals (*BI*, May 21; Sept. 25, 1989).

In short, Mr. Byrne said, 'we have permitted our respect to fall into disarray."

In the public eye, the industry "is better off than dentists" but not as loved as florists, Peter B. Walker, director of management consultant McKinsey & Co. in New York, said at the conference.

The industry gets good marks for advising clients but only fair marks for the availability of coverage in the commercial sector, he said.

Commercial insurers are also faulted for not offering stable prices and coverages, Mr. Walker said.

"I'm getting increasingly convinced that these cycles will be here forever," he said, adding that the cycles are "very difficult for insurance buyers to fathom."

However, the industry gets poor marks for communication with consumers, Mr. Walker said, concurring with Mr. Byrne. "The insurance industry doesn't speak with one voice. There is no commonality or focus (of issues) to consumers or regulators."

Mr. Byrne suggested that insurers have taken the wrong tack in dealing with critics.

"When we're attacked, our instinct is to explain ourselves," he said. "But maybe that's wrong. Maybe we should change (whatever's being attacked) and then explain the change."

He offered improved accounting standards as an example.

Insurance company results that are buoyed by investment income and discounted reserves give the false impression that insurers are doing well when they aren't, he said.

Accounting rules must be upgraded "so that we properly measure and control financial health," Mr. Byrne said. "They are the score card for us, our owners and regulators. Of even greater importance, they are the compass by which we navigate our ships. Without them, we do not know who is making money and who is losing money, or who is solvent and who is bankrupt."

He said customer service is much better than it used to be, but added that "we must improve this position, not maintain the position."

In addition, Mr. Byrne suggested setting up a self-regulating industry body to oversee solvency requirements.

"We must show that we care about the solvency issue," he said.

A House subcommittee chaired by Rep. John D. Dingell, D.-Mich., harshly criticized state regulation of insurer solvency and said parallels between insurers now and savings and loans several years ago were "both obvious and deeply disturbing" (*BI*, Feb. 26).

In its report, that panel said several measures, including federal involvement in solvency regulation, should be considered.

If the self-regulatory body does not come to fruition, then Mr. Byrne recommended that Congress establish federal solvency standards that could be enforced by state regulators.

If that course is chosen, he said he would urge Congress to pass measures similar to the 11 Insurance Regulatory Information System tests of insurer financial and operating strength used by National Assn. of Insurance Commissioners.

Those tests "are a good first step, but they need to be refined," he said.

An IIS delegate asked Mr. Byrne what he would want changed in the U.S. insurance industry if he could change it tomorrow.

Mr. Byrne answered that there were two things he would do.

"I would force all the property/casualty insurance associations into one association and get agents to join with us," he said. "And I would set up a (self-regulatory) organization which would be headed by insurance executives."

After additional thought, however, Mr. Byrne changed his mind. "If I could do only one thing, I would do something about the tort system," he said. ■

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INTERNATIONAL

Trade barriers foreseen as Cold War wanes

By STACY SHAPIRO

PARIS—Protectionism and financial regulation are among the critical issues all international insurers must face in the post-Cold War era, says a leading U.S. insurance executive.

As weapons are put down, nations increasingly will try to protect their industries from competition rather than their borders from invasion, says Maurice R. Greenberg, chairman, president and chief executive officer of New York-based American International Group Inc.

And with both nationalism and protectionism on the rise, insurers may find it more difficult to do business abroad, Mr. Greenberg said at the International Insurance Society Inc.'s 26th annual conference in Paris earlier this month.

As an example, he cites the European Community, which now allows cross-border sales of insurance for large corporate risks. If E.C. and foreign insurers "are not treated equally," the single European market "will raise tensions," he said.

Comparing European conglomerates formed by mergers and acquisitions to cartels, he warns that a failure by the E.C. to address the "cartel issue" would be of "great concern."

Veronique Neiertz, the French secretary of state in charge of consumer affairs, countered that "the E.C. will not be protectionist. . .so it is unjust to accuse the E.C. of being protectionist." She added, however, that the E.C. nations would not become "an open sieve," by opening their doors to everyone.

Mr. Greenberg also urged insurers to lobby their governments during the upcoming round of General Agreement on Tariffs and Trade negotiations in Uruguay, which he said "will have important implications for insurance companies wherever they are based" (see story, page 55).

A second critical issue for insurers in the 1990s will be "how financial institutions should be structured and regulated," said Mr. Greenberg.

In particular, he mentioned U.S. banks entering the insurance marketplace. A new Delaware law permits banks chartered in the state to sell and underwrite insurance nationwide (*BI*, June 4).

Mr. Greenberg said he had "no problem" with banks selling and underwriting insurance, but he argued that federal, rather than state, regulation ought to govern them.

The savings and loan debacle—which could cost U.S. taxpayers several hundred billion dollars—"should be an important lesson in what happens when deregulation of financial institutions is not accompanied by proper oversight," he said.

Mr. Greenberg said the Delaware law, which goes beyond other state laws in allowing banks to sell and underwrite insurance nationally, "opens all kinds of questions" about solvency regulation of a bank and its underwriting operations.

If the Glass-Steagall Act, the 1933 law restricting the activities of banks, is being circumvented and chipped away on the state level, "then let's go through the front door," Mr. Greenberg said. "Congress would be well advised to hit this issue head on."

Insurers in the 1990s will also have to support a global market economy where strong and innovative companies are allowed to survive, according to Mr. Greenberg.

In a market economy, he said, businesses would succeed or fail with minimal government involvement.

"Regulators are very silent when rates go down but very noisy when rates go up," said Mr. Greenberg. "That's not a market economy."

His advocacy of free markets, however, did not extend to calling for the repeal of insurers' longstanding exemptions to U.S. antitrust law.

Some prominent U.S. insurers are withdrawing from personal lines business, saying they can't charge high enough rates.

Auto insurance prices, for example, were "set at a polling booth" in California, said Mr. Greenberg in reference to Proposition 103.

He took issue with what he called a "silly proposition": that insurers have a social obligation to offer coverage, even at a loss.

"I believe that an insurance company has a right to produce a profit for its shareholders," Mr. Greenberg said. "If not, then the company shouldn't be in business."

If consumers want coverage that must be written at a loss, states should provide it, he said.

And if insurers become insolvent after lowering rates to unprofitable levels, solvent insurers shouldn't have to bail them out through guaranty funds, Mr. Greenberg argued.

"There needs to be a recognition that successful companies cannot be responsible for paying for the mistakes of the unsuccessful ones," he said. "The safety nets and protections that have been built into our system for inefficient and failing companies should not be regarded as being in the public interest."

Mr. Greenberg also focused on other problems he said are plaguing the United States, the world's largest insurance market. Among them is cleanup of toxic and hazardous waste sites and "the liability for past sins" to the environment.

At least 90% of all waste has been dumped in accordance with the laws applicable at the time, Mr. Greenberg said. "We simply didn't know as a country" that the dumping would cause such harm.

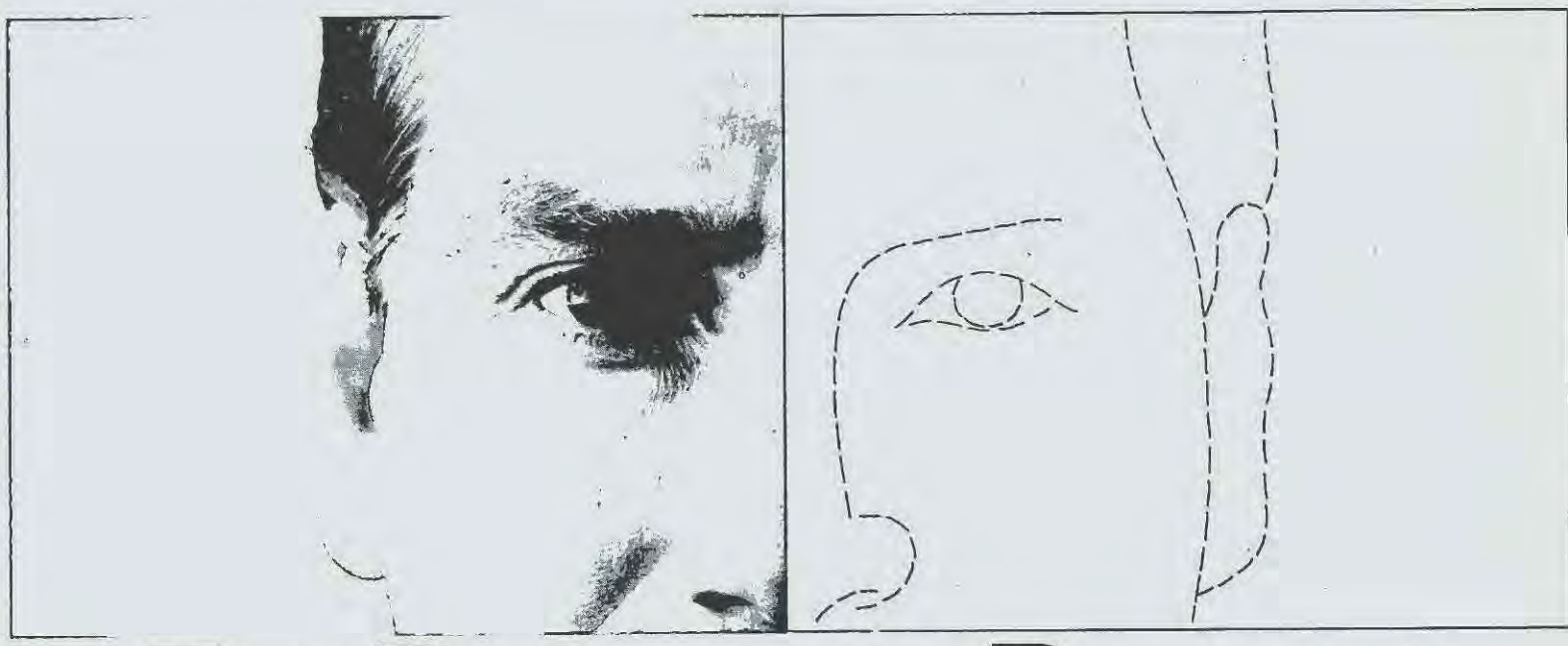
The 1980 Superfund law, designed to clean up abandoned and uncontrolled hazardous waste sites, has caused "the greatest legal triangle in history," he said. About 90% of the funds raised through the Superfund act is now spent litigating who caused the pollution and who is responsible for cleaning it up, he said.

And about 60% of each insurance claim for a cleanup goes to defend against the allegations, he added.

Last year, Mr. Greenberg proposed an "alternative approach" to finance hazardous waste cleanups—a trust fund financed by 1% or 2% premium surcharges on all commercial property/casualty insurance policies—designed to ensure that money is spent on cleanups, "not in the courtroom attempting to establish liability."

Insurers at the time said they generally supported the proposal, though many risk managers argued that the proposal was unfair to policyholders (*BI*, March 6, 1989).

"The National Environmental Trust Fund has gained a lot of support," Mr. Greenberg said. "And I think it will gain more support as Superfund comes up for renewal in 1991." ■



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SOUTHERN DISTRICT OF NEW YORK

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LOMAS FINANCIAL CORPORATION, et al., :
:
Debtors. :

In Proceedings For A Reorganization Under Chapter 11
Case Nos. 89 B 12471 Through 89 B 12478 Inclusive (BRL)

NOTICE OF HEARING TO CONSIDER APPROVAL OF PURCHASE AGREEMENT WITH CONSECO CAPITAL PARTNERS, L.P. FOR SALE OF LOMAS LIFE GROUP, INC.

TO ALL CREDITORS OF LOMAS FINANCIAL CORPORATION, ET AL. AND OTHER PARTIES IN INTEREST HEREIN:

PLEASE TAKE NOTICE that on August 15, 1990, in Courtroom 623 of the United States Courthouse, The Old Custom House, One Bowling Green, New York, New York 10004-1408 at 2:00 o'clock in the afternoon of that day, a hearing will be held (the "Hearing") before the Honorable Burton R. Lifland, United States Bankruptcy Judge, to consider upon the application of Lomas Financial Corporation ("Lomas"), for and on behalf of itself and the other debtors and debtors-in-possession herein (the "Debtors"), dated July 16, 1990 (the "Application"), the entry of an order:

(a) Authorizing Lomas, pursuant to 11 U.S.C. Sections 363(b) and (f), to sell all of the issued and outstanding shares of common stock (the "Lomas Life Stock") of Lomas Life Group, Inc. ("Lomas Life") free and clear of all interests therein of entities other than the Debtors to either:

(i) the Purchaser, pursuant to the terms and conditions of the purchase agreement between Lomas and Conseco Capital Partners, L.P. (the "Purchaser") dated as of July 10, 1990 (the "Purchase Agreement"), a copy of which is annexed to the Application as Exhibit A, or

(ii) to any other third party found by the Court to have made a higher and better offer (a "Competitive Bid") than that made by the Purchaser, for the purchase of the Lomas Life Stock;

(b) Approving the Purchase Agreement (or any other purchase agreement proposed in connection with a Competitive Bid) in its entirety and all of its terms, and authorizing the performance thereof by Lomas and its affiliates;

(c) Authorizing the Debtors to pay out of the proceeds of the sale of the Lomas Life Stock the following fees and expenses: (i) to Lazard Freres & Co. ("Lazard") an amount equal to 1% of the consideration received; (ii) all transfer taxes, documentary taxes, withholding taxes, assessments or other charges made by any governmental authority in connection with the sale of the Lomas Life Stock; (iii) all other reasonable and necessary costs and expenses incurred in connection with the sale of the Lomas Life Stock, including the fees of, and expenses incurred by, any professional person or attorney retained by the Debtors, subject to application to the Court as required; and (iv) amounts necessary to settle intercompany accounts between Lomas Life and Lomas;

(d) Authorizing the Debtors to pay the remaining net proceeds into a separate operating account used by the Debtors in the ordinary course of business subject to the Order and the Amended Order Authorizing the Debtors to Continue Consolidated Cash Management System, signed by the Court September 24, 1989 and November 28, 1989, respectively, or invested subject to the Order Approving Investment Guidelines, signed by the Court September 24, 1989, provided that in each case such proceeds shall be used in the Debtors' business solely in the event that other cash resources (exclusive of borrowings) are not available at the time of such use;

(e) Granting such other and further relief to the Debtors as may be just and proper;

PLEASE TAKE FURTHER NOTICE that the Purchase Agreement provides for a purchase price equal to (a) $140 million in cash, subject to adjustment based on the statutory common capital stock and surplus and mandatory securities valuation reserves as of the Closing Date (as defined in the Purchase Agreement) of Lomas Life's insurance subsidiaries, Jefferson National Life Insurance Company and Winona Financial Life Insurance Company, plus (b) $10 million principal amount of Tranche A Securities, described in the Purchase Agreement, plus (c) a principal amount of Tranche B Securities, described in the Purchase Agreement, equal to $15 million less the excess of the amount of any tax settlement paid by Lomas Life after January 1, 1990 and prior to the Closing Date over 15% of the portion of any such tax settlement attributable to interest. The purchase price and all other terms and conditions of the proposed sale of Lomas Life to the Purchaser are set forth in the Purchase Agreement, a copy of which has been filed with the Court as Exhibit A to the Application, and is available for examination by parties in interest during the Court's regular business hours.

PLEASE TAKE FURTHER NOTICE that the Hearing may be adjourned from time to time without further notice to creditors or other parties in interest other than by an announcement of such adjournment or the date scheduled for the Hearing.

HIGHER AND BETTER OFFERS

PLEASE TAKE FURTHER NOTICE that at the Hearing, the Bankruptcy Court will consider the Purchase Agreement and any Competitive Bids. Any party wishing to make an offer to purchase Lomas Life on terms which it considers to be higher or better than those set forth in the Purchase Agreement (collectively, "Competitive Bidders") must, pursuant to order of the Bankruptcy Court, comply with the following procedures:

1. Competitive Bids must be made in writing, filed with the Court and served by hand, courier or overnight service upon: (i) Lomas Financial Corporation, Suite 3600, 2001 Bryan Tower, Dallas, Texas 75201, Attention: James L. Crowson, Esq., and its counsel (whose address is set forth below), (ii) O'Melveny & Myers, 153 E. 53rd St., New York, New York 10022, Attention: Joel B. Zweibel, Esq., (iii) Anderson, Kill, Olick & Oshinsky, P.C., 666 Third Avenue, New York, New York 10017, Attention: Duncan N. Darrow, Esq., and (iv) Conseco Capital Partners, L.P., 11825 N. Pennsylvania St., Carmel, Indiana 46032, Attention: Lawrence W. Inlow, Esq., on or before August 9, 1990;

2. Competitive Bids shall each: (a) specifically set forth: (i) all actions taken by such Competitive Bidder to obtain approval, if any, from necessary governmental and regulatory agencies of the proposed sale, were such interested party to be the successful Competitive Bidder, (ii) such approvals or disapprovals obtained, and (iii) the Competitive Bidder's best estimate as to the likelihood and timing of any such approvals not yet obtained;

(b) Specifically set forth those amendments and modifications to the Purchase Agreement which the Competitive Bidder would propose were it to be the successful Competitive Bidder; and

(c) Be accompanied by the latest available certified financial statements of the Competitive Bidder and such subsequent financial statements and other financial information which would enable Lomas to evaluate the Competitive Bidder's ability to satisfy its obligations under the Purchase Agreement.

OBJECTIONS TO THE SALE OF LOMAS LIFE

PLEASE TAKE FURTHER NOTICE that objections, if any, to approval of the proposed sale of Lomas Life, or to any of the other relief requested by Lomas as set forth in the Application, shall state with particularity the reasons for the objection and shall be filed with the Bankruptcy Court and served by hand, courier or overnight delivery service upon (a) Davis Polk & Wardwell, counsel for Lomas whose address is set forth below, (b) O'Melveny & Myers, 153 E. 53rd St., New York, New York 10022, Attention: Joel B. Zweibel, Esq., (c) Anderson, Kill, Olick & Oshinsky, P.C., 666 Third Avenue, New York, New York 10017, Attention: Duncan N. Darrow, Esq., and (d) Conseco Capital Partners, L.P., 11825 N. Pennsylvania St., Carmel, Indiana 46032, Attention: Lawrence W. Inlow, Esq., and any other persons whose interests would be affected if the objection were to be sustained, on or before August 10, 1990 at 10:00 o'clock in the forenoon. Any objection so filed will be considered by Bankruptcy Judge Lifland on August 15, 1990 at 2:00 o'clock in the afternoon or as soon thereafter as counsel can be heard, at Courtroom 623, United States Courthouse, The Old Custom House, One Bowling Green, New York, New York 10004-140E.

Dated: New York, New York
July 16, 1990

BY ORDER OF THE BANKRUPTCY COURT
HONORABLE BURTON R. LIFLAND
UNITED STATES BANKRUPTCY JUDGE
The Old Custom House
One Bowling Green
New York, New York 10004-1408

DAVIS POLK & WARDWELL
Attention: Laureen F. Bedell, Esq.
Counsel to Lomas Financial Corporation, et al.
Debtors and Debtors-in-Possession
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Circulation Breakdown*

Commercial Consumers

Administrative:
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Vice-Presidents, General Managers and Other Administrative Personnel ... 3,847

Financial:
Chief Financial Officers and Vice-presidents of Finance ... 2,382
Secretaries, Treasurers, contollers and other Financial Personnel ... 3,562

Risk/Employee Benefits:
Vice-presidents, directors, managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations ... 11,566
Sub-total ... 24,648

Associations ... 539
Government, Unions and Educational Institutions ... 1,389
Commercial Consumers
Sub-total ... 26,576

Insurance Agents and Brokers ... 10,223
Insurance Companies ... 7,713
Accountants, Actuaries, Attorneys & Consultants ... 3,353
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers 1,115
Others Allied to the Field ... 2,149
TOTAL ... 51,129

* Source Business/Occupational breakdown of qualified circulation, November 27, 1989 issue, as submitted to BPA for December 1989 BPA Publisher's Statement.

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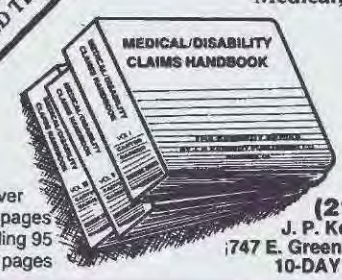
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INTERNATIONAL

Japan ponders deregulating financial services industry

By STACY SHAPIRO

PARIS—The Japanese Ministry of Finance is considering deregulating the nation's financial services market, including the life and non-life insurance industry.

Three committees established by the ministry—the Financial System Research Council, Securities Council and Insurance Council—are examining "important matters relating to the financial institutions system, the securities business and the insurance business," said Gentaro Kawase, chairman of Nippon Life Insurance Co. in Tokyo.

"It is quite possible that the reports of these three councils will decide the future (regulatory) framework of the financial industry and the position of the life insurance industry in the 21st century," Mr. Kawase told the International Insurance Society Inc. conference earlier this month in Paris. A paper that treated the topic in greater detail accompanied his talk.

Until now, Japan's financial services industry has been segregated: Banks, for instance, cannot sell insurance and insurers cannot write both life and non-life coverages.

In addition, insurance rates are dictated by a tariff system.

According to stock analyst County Natwest Securities Japan, the Ministry of Finance could change some of those practices by:

- Allowing life insurers to write some non-life coverages, sell securities and provide banking services.
- Giving non-life insurers the authority to write pension products, while preserving their exclusive right to sell casualty insurance.

At the IIS conference, Mr. Kawase said the majority of "opinion leaders" in Japan accept that there will be a realignment in the financial services sector. "The insurance industry welcomes this," he said.

During discussions with the FSRC, Mr. Kawase said, life insurers submitted five goals that should be achieved in any reform legislation:

- Enhancing efficiency and benefits to the consumer.
- Stimulating the insurance market, creating "fair and free competition."
- Complying with internationally accepted principles.
- Keeping the nation's financial services system healthy and stable.
- Ensuring that "management resources that have been fostered in the post-war financial system will continue to be utilized efficiently."

Life insurers have also proposed deregulating their industry to let them compete with other financial institutions, Mr. Kawase said.

Deregulation would allow life insurers to offer investment products that they currently cannot, he said.

The FSRC is proceeding slowly in its aim to revise the Japanese financial services system, Mr. Kawase noted. In May 1989, the advisory body published an interim report suggesting that the Ministry of Finance review the rationale for the existing fundamental structure of the financial services system, he said.

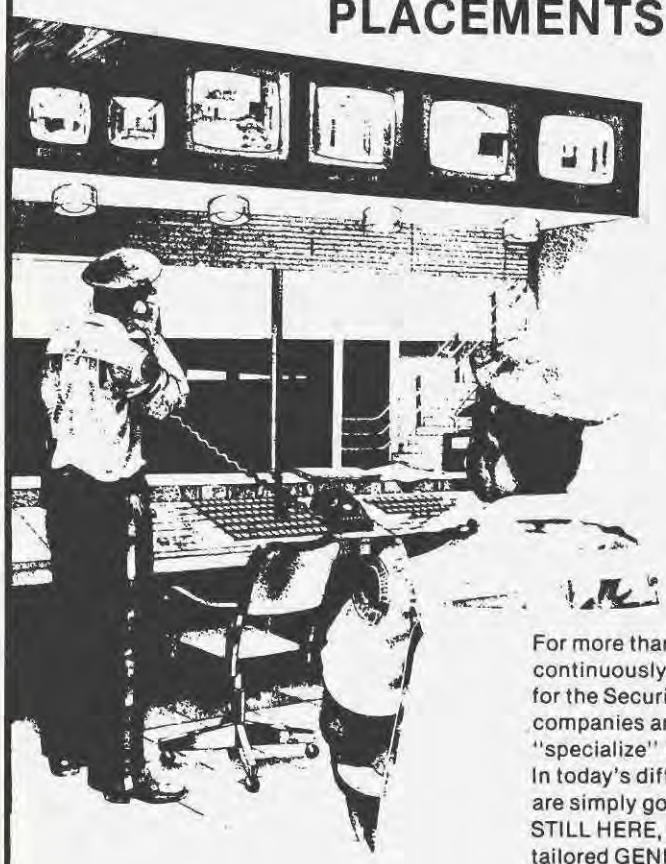
Meanwhile, the Insurance Council, a committee set up by the Finance Ministry, is examining, among other things, the role of the insurance industry and insurance regulation.

During his speech, Mr. Kawase said that some of the main points that the Insurance Council has been addressing include:

- The modernization of national law on insurer financial requirements and agency practices.
- Whether the reform of the financial sector should include the insurance industry.
- Whether the insurance industry should be allowed to integrate banking and insurance services.

A recent interim report from the Insurance Council says that insurers should be allowed to offer diversified products, Mr. Kawase added. It also suggests that insurance companies could have joint life and non-life operations, he said. ■

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Subway cover

Continued from page 1
cleared streets of traffic.

No reserves have been established for such claims, which would be covered by the wrap-up program's general liability insurance.

As of late last week, authorities did not know what caused the fire, the first major property damage during excavation on the $1.4 billion, 4.4-mile downtown subway project, which is scheduled to begin operating in 1992 (see related story).

To date, only $357,000 in property damage claims have been paid on the project, Mr. Windom said.

Accurate damage estimates are unavailable pending the outcome of several investigations into the July 13 blaze. The fire raged for three days in a 750-foot section of the unfinished subway tunnel below U.S. 101, known locally as the Hollywood Freeway.

Heavy smoke and a cave-in 10 feet from U.S. 101 prompted the California Highway Patrol to close a three-mile section of the highway the morning of the fire, triggering the worst traffic jam in city history. All but one lane had been reopened by last Tuesday afternoon.

Temperatures reached an estimated 2,000 degrees Fahrenheit as the fire was fueled by timber support beams and a plastic liner used to insulate the tunnel from chemicals and gases contained in the soil.

No workers were in the tunnel when the fire erupted. The only equipment present was a "jumbo"—heavy-duty, elaborate scaffolding used to hold materials and equipment while the tunnel lining is in place, according to Eric Carlin, project manager for Tutor-Saliba & Perrini of Sylmar, Calif., the tunnel contractor.

Regular air quality monitoring twice during every shift detected no flammable gases in the tunnel, according to Byron Ishkanian, senior engineer for mining and tunnel safety at Cal/OSHA, the state workplace safety agency. Based on the workers' schedules, the last monitoring would have occurred between 12:30 and 1 p.m. on Thursday—about 12 hours before the fire started, he said.

While the "jumbo" is equipped with hand-operated fire extinguishers, no permanent fire suppression equipment had yet been installed in the tunnel because "it's the interim period between digging and lining," he said.

The tunnel that collapsed was dug by a machine consisting of a backhoe-type shovel housed at the front of a steel tube. The tube, slightly larger than the diameter of the finished tunnel, shields workers from cave-ins.

Workers assemble segments of the tunnel's circular lining inside the shield, while the machine moves forward by pressing hydraulic jacks against the end of each newly assembled liner segment. Some 40 to 50 feet of tunnel is built each day.

Lined with steel ribs and timbers, the tunnel resembles the inside of a barrel.

A circular steel rib is placed every four feet along the inside of the tunnel. The spaces between each set of ribs is filled with lagging—4-inch-by-4-inch timbers.

Once the lagging is in place, it is covered by a one-eighth-inch-thick, high-density polyethylene liner, followed by steel forms. Concrete is then pumped in to create a permanent, foot-thick lining.

The fire occurred after the polyethylene liner had been installed.

A wrap-up insurance program brokered by Sedgwick James Inc.'s Construction Services Division in Dallas covers the project.

In a wrap-up program, a project owner purchases workers compensation, general liability and builders risk insurance on behalf of all contractors. Contractors then deduct insurance costs from their bids.

The workers comp portion of the program is underwritten by Argonaut Insurance Co. of Menlo Park, Calif., which pays all claims up to statutory limits on a first-dollar basis.

The primary general liability portion of the program, also underwritten by Argonaut, provides per-occurrence limits of $2.5 million over a $500,000 per-occurrence deductible. A $98 million excess layer is underwritten by syndicates at Lloyd's of London and other British underwriters.

Up to 375 contractors have been covered under the wrap-up program since the inception of the project in September 1986, according to Mr. Windom of DIA, which was established by Sedgwick to handle claims related to the subway project.

With the tunnel-digging phase winding down, only 110 contractors are now covered, he noted. The DIA expects up to 250 contractors to be named insureds in the wrap-up program by year-end when finishing work on the downtown part of the subway begins, Mr. Windom added.

Work continued slowly last week—at a rate of six to eight feet per hour—to shore up the collapsed section of the burned tunnel adjacent to U.S. 101.

Many of the 17-foot-wide steel ribs had twisted and melted under the extreme heat.

However, engineers were relieved to find that a cement-like gel that had been injected into the ground above a section of the tunnel that runs under the freeway had held throughout the blaze.

The tunnel that burned was one of two parallel shafts designed to store empty trains running between Union Station and a maintenance yard beside the Los Angeles River. It was not to be used for passenger traffic.

The cause of the fire remained a mystery as of late last week while the Los Angeles Fire Department, Los Angeles County Transportation Commission officials, the district attorney's office and Cal/OSHA conducted separate investigations. Even the Los Angeles County Board of Supervisors was considering seeking a grand jury probe into the cause of the blaze.

Edward McSpedon, acting president of the Rail Construction Corp., a subsidiary of the LACTC, announced the formation of a series of task forces to probe the accident and come up with safety recommendations that could be applied to other phases of the project.

In addition, Neil Peterson, executive director of the LACTC, said the transit authority had contracted with Minneapolis-based Kellog Engineering to conduct an independent investigation of the fire's cause. A preliminary report is expected within two weeks.

Allianz contracted with San Francisco-based loss adjusters Moxon & Young to assess the damage, said Trevor Care, senior vp of Allianz.

During a transit board meeting last week, the insurer presented a $1 million check to the LACTC as a down payment on repair work.

The district attorney's office announced last Wednesday that it was investigating the possibility of criminal negligence related to the fire.

The last time the district attorney investigated subject project operations was in March 1989. The district attorney's office had investigated a complaint that one of the project's safety engineers had falsified his resume to indicate he was an experienced safety worker prior to being hired.

The matter was dropped after it was determined that no crime had occurred, a spokeswoman for the district attorney said.

Allan Garner, the engineer in question, has since passed both written and oral tests for certification as an underground safety inspector, confirmed Cal/OSHA's Mr. Ishkanian.

Cal/OSHA investigators have been on the scene since the fire was discovered, looking for possible safety violations that may have led to the accident, a spokesman said.

However, many sources close to the investigation suspect arson.

The polyethylene sheath placed between the earth and the concrete liner smolders when burned, but is not capable of fueling such a devastating blaze, according to Mr. Ishkanian.

A worker spotted the fire when he returned to the area just 15 minutes after he had left. Another worker also had been in the tunnel 15 minutes earlier and detected nothing unusual.

One of the reasons OSHA is investigating the fire although no injuries occurred is the speed with which it filled the tunnel. "If there had been someone in there" when the fire started, "he wouldn't have made it out," Mr. Ishkanian said.

In fact, fire department investigators have failed to trigger a similar inferno with the building materials used in the tunnel, Mr. Ishkanian said.

"It's like starting a log fire with a match," he said. "You just can't do it." ■

Subway worker safety

Continued from page 1
tained six miles of tunnel, shafts and underground chambers, resulted in 10 deaths before it was completed in the mid-1970s.

Argonaut Insurance Co., the workers compensation insurer on the subway project, has rewarded the excellent safety record with a $578,000 dividend on the retrospectively rated program, according to Chet Mitrani, managing director of District Insurance Administrators, the claims administrator for the subway project.

Under terms of the insurance contract, Argonaut is not required to make an adjustment until six months after the project is completed in 1992, according to Mr. Mitrani.

"They made the adjustment early because the underwriters were comfortable" with the project, he said.

Coverage for the Metro Rail project has been coordinated under a construction wrap-up program in which the project owner purchases workers compensation, general liability and builders risk insurance on behalf of all contractors. In return, the contractors deduct the cost of insurance from their bids.

So far, workers compensation claims, including those for medical costs only, have used about half, or $2.4 million, of the $4.8 million reserve established by the Menlo Park, Calif.-based insurer.

In addition, liability claims haven't pierced the $500,000 deductible on the project's $100 million general liability insurance program, which includes $2.5 million in primary coverage underwritten by Argonaut and $98 million in excess coverage written by Lloyd's of London and other British underwriters, according to Mr. Mitrani.

Prior to the July 13 fire, property damage claims under the builder's risk portion of the insurance program, underwritten by Allianz Insurance Co. of Los Angeles, had amounted to only $357,000, according to Jerry Windom, DIA claims manager.

The most serious work comp claim to date involved a 1987 accident in which a drunk driver plowed into a barricade shielding several workers after speeding the wrong way down a one-way street, Mr. Windom said. The workers suffered minor injuries.

The claim now is being subrogated, he said.

And the largest general liability claim involved a $40,000 out-of-court settlement with the sister of an 83-year-old man who fell to his death in a 23-foot-deep excavation site after wandering from a retirement home in July 1988.

"We had one transient who fell into one of our potholes," Mr. Windom said. "But we believe he was already dead before he fell into the hole," perhaps a victim of foul play.

To date, the largest comp claim involved a drunk driver going the wrong way down a one-way street.

The excellent safety record so far can be attributed to the project's rigorous loss control program that coordinates a total of 13 safety engineers from the DIA, the Los Angeles County Transportation Commission and the joint venture that manages Metro Rail construction: Ralph M. Parsons Co., Dillingham Construction Co. and Deleuw, Cather & Co.

The LACTC is the construction division of the Southern California Rapid Transit District.

Underwriters "breathe very easily" knowing the project is so closely monitored, Mr. Mitrani said.

The goal of the "grand triumvirate" loss control program is "to build whatever you're building as quickly as possible with the least number of injuries possible," said Darrell French, vp in the Dallas-based Construction Services Division of Sedgwick James North America, Metro Rail's broker.

It also "lends an air of continuity to this project," he added.

The program holds bimonthly safety committee meetings that include workers and safety engineers. The meetings focus on tunnel ventilation, personal protective clothing and training, according to Mr. Mitrani.

In addition, the soil surrounding the subway tunnel is regularly checked for contamination, and chemically tainted sections are removed to prevent worker exposure, he said.

The excavation equipment used in the tunnel work has "methane sniffers" that trigger a shutdown of the equipment when the air contains 5% or more of the volatile gas.

Even the water used during the course of the project is treated before it is released into the Los Angeles sewer system.

"We have a water treatment plant large enough to treat water for a small city set up especially for Metro Rail," Mr. Mitrani boasted.

The chief safety engineers on the project also are required to hold underground safety certification from Cal/OSHA.

The project is "a lot like a mining operation," and Cal/OSHA's mine-related requirements are among the most stringent in the United States, he said.

In fact, Mr. Ishkanian, who headed a distinguished tunnel safety program at Cal/OSHA until September 1987, had been the SCRTD's supervising engineer for construction safety on the project until recently. He has been replaced on that project by Don Ford.

Mr. Ishkanian left Cal/OSHA in September 1987 after Gov. George Deukmejian slashed $7 million from the agency's budget, arguing that it duplicated functions of the federal Occupational Safety and Health Administration. He returned to Cal/OSHA in May of this year after a 1988 voter-sponsored ballot initiative restored funding (*BI*, Nov. 14, 1988; Nov. 2, 1987).

Besides ensuring worker safety during construction of the project, the safety of subway users also is being considered.

Using seismic specifications prepared by Converse Consultants West of Pasadena, the subway is being designed to be virtually earthquake-proof: It will be able to sustain a temblor of up to 7.5 on the Richter scale with only minor damage, according to Mr. Mitrani. A 7.0 temblor is considered a major earthquake.

The Bay Area Rapid Transit subway was the first transportation system operating after the San Francisco earthquake in October 1989, Mr. Mitrani noted.

In addition, Metro Rail tracks will be equipped with sensors to automatically shut down the system if an earthquake with a magnitude of 5.0 or higher occurs.

If a major quake does occur, a Metro Rail subway station will be one of the safest places in Los Angeles to be, according to Bill Rhine, RTD assistant general manager for transit systems development.

"The chances of being injured while underground are much smaller than if you were in a building or walking on the street," he said.

Damage to buildings occurs mostly because of a "whiplash" effect that forces structures to sway in the opposite direction of the earth's movement, he explained. Unlike above-ground structures, subway tunnels and stations move with the ground during a quake, he said.

Mr. Mitrani agreed: "It's called 'ground harmonics': Something encased underground moves with the ground."

In addition, steel liners will be used when tunnel construction begins in fault zones, such as under the Hollywood hills, according to Bob Pride, president of Converse Consultants. "Concrete is brittle and subject to distortion and breakage," he explained.

According to a seismic study conducted by Converse in 1980, the subway's eventual 18-mile path will cross 12 faults, only two of which—the Hollywood and the Santa Monica faults—are considered active or potentially active. ■

PIA asks IIAA to mull merger plan

ALEXANDRIA, Va.—The National Assn. of Professional Insurance Agents—in a move that has surprised observers—is asking the Independent Insurance Agents of America to explore the feasibility of merging the two organizations.

The decision to consider a merger was made by the PIA's board of directors at the organization's July 14 quarterly meeting.

In a letter to IIAA President Southgate Jones, PIA President Richard Yingling cited uncertain market conditions as the reason for the overture.

Mr. Jones requested that the groups meet within 30 days to discuss the feasibility of a merger.

The IIAA agreed, but a meeting date has not yet been set.

The move to even consider merging the two largest associations of property/casualty insurance agents is a complete turnabout for the PIA, which has vehemently opposed previous merger overtures by the IIAA.

But, some observers speculate that the recent decision to consolidate—subject to a member vote in September—the Professional Insurance Agents of Minnesota with the Independent Insurance Agents of Minnesota, with or without national PIA approval, could be responsible for PIA's change of heart.

The plan to consolidate the two state associations was presented to the PIA national board at its July 14 meeting. The board concluded that additional study was necessary before a decision on the consolidation can be reached.

"We feel good about it," Mr. Jones said. "It's about time, and we're glad they decided to talk about it."

But, Mr. Jones added that he is concerned about how smoothly negotiations that take place "in a fish bowl" can run.

—By Laura Mazzuca

AT&T network

Continued from page 1

how profits and losses will be shared.

In contrast, Allied-Signal's risk contract with CIGNA offers greater protection from cost increases. Under that three-year program, which some observers have said is one-of-a-kind, CIGNA guaranteed to hold cost increases for Allied-Signal to under 10% in each year.

If cost increases exceed this amount—which they have not halfway through the program—CIGNA must absorb the additional costs (*BI*, March 19).

AT&T now spends more than $1 billion annually on health care, including about $500 million for its non-management employees.

Recently AT&T's health care costs have been rising 10% to 15% a year, compared with 20% to 30% reported at some other large companies. But AT&T officials say a new approach was needed to control the unacceptably steep increases.

By 1993, the company hopes that the new managed health care network program can hold annual cost increases down to single digits.

"This is a step we feel we had to take," said John Barry, division manager-human resources in Morristown, N.J.

If the network successfully reduces AT&T's rate of health care inflation, it likely will inspire other major employers to try the network approach, benefit experts say.

Indeed, the very size of AT&T—it has 281,000 employees and reported 1989 revenues of $36.1 billion—as well as its status as one of the country's best-known companies will ensure that other employers will pay close attention to its program.

"This is a program that everyone will look at," predicts Joseph W. Duva, a partner and national practice leader of managed health care at Ernst & Young in New York. Mr. Duva helped launch Allied-Signal's managed health care network in 1988 when he was the company's corporate director of employee benefits.

"This program will command the attention of the benefit world," said Joseph Hendrick, an account executive with Prudential in Roseland, N.J.

In fact, just by unveiling the program, AT&T "has given an incredible shot in the arm for managed care," said Brooks Joslin, vp and general manager of national customer accounts at Travelers.

"The world already is headed for managed care. The AT&T program will accelerate that trend," observed Joseph Martingale, a principal with TPF&C, the benefits consulting division of Towers, Perrin, Forster & Crosby Inc. in New York, which consulted on the AT&T program.

About a dozen insurers and health maintenance organizations—including Aetna Life & Casualty Co., Metropolitan Life Insurance Co., CIGNA and Kaiser Permanente Medical Care Program—submitted bids.

The three insurers were selected for their demonstrated experience in administering large managed care programs and commitment to maintaining high-quality networks, Mr. Barry said.

The AT&T managed health care program shares the same basic framework as programs established by other companies.

Under the program, which is structured like an open-ended HMO, employees receive incentives—in the form of higher reimbursement—for using certain providers.

These providers have agreed to participate in stringent utilization review programs as well as to reduce the cost of their services, such as through discounts from usual and customary charges, setting charges on the basis of a patient's diagnosis or on a per-diem basis.

Like the Allied-Signal program, employees select a primary care physician in the network, whom AT&T calls the "doctor of choice." To receive network benefits, employees first must contact their network physician about any health care problem. The primary care physician then will coordinate health care for that employee.

Employees who choose services from a non-network provider without going through the gatekeeper will have to pay a larger share of the bill.

However, the AT&T program differs sharply in several ways from other managed care networks now up and running. While some of the differences may augur well for the success of the program, others could also complicate matters.

Other employer-sponsored national managed health care networks all have been organized and administered by a single insurer. Southwestern Bell, for example, selected Prudential to manage its program, while both Allied-Signal and PacTel chose CIGNA.

AT&T's Mr. Barry said using multiple insurers will enhance quality.

"Rather than take one national network, we handpicked the best networks that Blue Cross, Travelers and Prudential offer in the cities and suburbs where most of our employees live," Mr. Barry said.

Each of the insurers will operate networks in separate metropolitan areas.

Benefit consultants agree that the AT&T managed care account may have been too big for a single insurer network to handle.

"No one carrier could meet AT&T's needs," said Linda Havlin, a consultant with Hewitt Associates in Lincolnshire, Ill.

'This is a program that everyone will look at,' predicts Joseph W. Duva, of Ernst & Young.

In fact, contracting with multiple insurers may work to AT&T's advantage, consultants say.

"It sets up a sort of a horse race and improves competition among the carriers," said Ms. Havlin.

On the other hand, dividing up the contract among three insurers may have reduced AT&T's leverage in winning the best financial arrangement, said Ernst & Young's Mr. Duva.

Mr. Barry disagreed, noting that the decision to use more than one insurer actually enhanced competition and resulted in better financial arrangements.

Another significant difference: AT&T offers much smaller incentives for using network providers than do other employer-sponsored programs.

At AT&T, employees who go through the primary care gatekeeper pay a $150 per person/$450 family deductible for medical services with coinsurance charges generally ranging from 5% to 10%, depending on the type of service. Hospital charges would be fully covered. The maximum annual out-of-pocket expense after the deductible for employees using the network would be $1,000 per individual.

For employees opting out of the network, a $200 per person/$400 family deductible would be imposed on medical and hospital charges, with a 20% coinsurance requirement imposed on services inside and outside of the hospital.

Employees receiving care outside the network would have their out-of-pocket expenses capped at $1,000 per person, the same cap that applies for services delivered in the network.

But in some cases, service outside the network could prove considerably more expensive. For example, employees going outside the networks would have to fully absorb charges exceeding usual and customary as set by the network's administrators.

In contrast, Allied-Signal employees using network providers do not pay deductibles, while those using non-network providers must pay an annual deductible equal to 1% of annual base pay for individual coverage and 3% of annual base for family coverage. For an employee earning $30,000, the deductible for family coverage would be $900.

There wasn't anything AT&T could do now to increase the incentives for using network providers: The incentives were hammered out last year between AT&T and the CWA and the IBEW at the bargaining table.

At that time, there was an underlying philosophy—shared by AT&T and the unions—that going outside the network "should not bankrupt the employee," AT&T's Mr. Barry said.

Louise Novotny, an economist at CWA headquarters in Washington, D.C., acknowledges that differences in network vs. non-network benefits are more pronounced in other employers' managed care programs.

Still, Ms. Novotny says, the incentives at AT&T should be sufficient to convince a high percentage of employees to use the networks if employees are satisfied with the quality and accessibility of providers.

"Communicating and marketing the quality of this program will be essential if the program is to be a success," Mr. Duva said.

For its part, AT&T will provide employees with a wealth of information about the network.

Aside from providing specific examples of how benefits will differ for services delivered inside and outside of the network, AT&T will provide directories detailing the office hours of network physicians, their educational backgrounds, where their residencies were performed and, where appropriate, the foreign languages spoken by the physicians.

In Oklahoma City, which has a large Vietnamese population, directories will indicate which doctors speak Vietnamese, Mr. Barry said.

Another difference between the AT&T program and other employer-sponsored managed health care networks is the prominent role the AT&T unions had in developing and shaping the networks.

For example, CWA and IBEW officials convinced AT&T that employees should be allowed to nominate their doctors who aren't members to join the networks. The final decision, though, will rest with the network administrators.

As the largest program of its type, the results of the AT&T program will be eagerly awaited by other firms.

Already, some proponents are optimistic about the results.

"This is a unique opportunity to reduce the cost of health care and improve the quality of care," said Jerome Gotthainer, vp-national accounts at Empire Blue Cross/Blue Shield.

Results from some other managed care programs indicate that employees flock to network providers.

At Southwestern Bell, about 80% of health care dollars spent by eligible employees are going through the managed care network.

"That tells us employee acceptance of the program is high," said Craig Campbell, Southwestern Bell's associate director of benefit planning.

At the same time, some employers with managed health care networks report impressive financial results.

At Allied-Signal, the annual per-capita health care costs for employees in the program is now about $2,450, 23% less than the $3,200 the company projected had the employees and their dependents remained in a traditional indemnity plan.

Still, some benefit experts say managed health care networks can only slow, not cure health care inflation.

Managed health care networks can eliminate some of the waste in the health care delivery system, but do not address such fundamental causes of inflation as an aging workforce and the increased use of expensive medical technology, said Lance Tane, a partner with Kwasha Lipton in Fort Lee, N.J. ■

Update

Asbestos suits consolidated

CLEVELAND—Plaintiffs' attorneys are expected to appeal a federal judge's order consolidating the more than 100,000 asbestos personal injury lawsuits nationwide onto his docket.

In certifying the nationwide class action on July 16, U.S. District Judge Thomas D. Lambros in Cleveland said that "it has become apparent to judges managing these cases" that the defendants lack the money to pay all meritorious claims and associated legal costs. Therefore, the judge certified a class-action suit in an effort to save expenses for all parties and speed up the resolution of claims.

An estimated 7,000 asbestos personal injury suits are pending in Judge Lambros' district alone.

The judge's order came shortly after a New York federal judge suggested a nationwide class action for those with claims against the Manville Personal Injury Trust (*BI*, July 16). A panel of federal judges will decide if and where such a class action should be heard.

Meanwhile, about 1,000 asbestos victims in Virginia who have been granted judgments against the Manville trust are asking the 2nd U.S. Circuit Court of Appeals to overturn the temporary restraining order issued July 9 by U.S. District Judge Jack B. Weinstein of Brooklyn that prevents the trust from making any payments or settlements until the trust restructures to solve its cash-flow problems. The judge gave the trust—which has had to defer payment to asbestos bodily injury victims 10 to 20 years—until Aug. 6 to restructure.

NAIC alters profit report

KANSAS CITY, Mo.—Investment income earned on policyholder surplus will be included in insurers' profits for the first time when the National Assn. of Insurance Commissioners calculates insurers' 1989 profitability by line and by state.

The NAIC profitability report historically has included only investment income on policyholder-generated revenues, such as unearned premiums and loss and loss adjustment reserves.

The NAIC's adoption of a "total return" approach to measuring profitability "will give a better picture of actual profits earned by the industry," said Martin Simons, chief actuary and director of the property/casualty division of the South Carolina Insurance Department.

"Regulators support the change because they are tired of defending the fact that investment income has been excluded" from the old "by-line, by-state" report, which some insurers have presented at rate hearings to support rate increases, he added.

For the sake of comparability, the next report, due in late August or early September, will show profits calculated using the old and new methods and will provide a five-year historical summary using the new formula.

Insurers oppose the change, complaining they were not given an adequate opportunity to comment on it.

Franklin W. Nutter, president of the Alliance of American Insurers in Schaumburg, Ill., says the new methodology is flawed for several reasons, including that it destroys the theory that capital and surplus requirements create a protective cushion against deficiencies in reserves.

Briefly noted

Wind, hail and tornadoes caused an estimated **$450 million in insured property damage**, mostly to private passenger automobiles, in Colorado on July 11, reports the Property Claim Services division of the American Insurance Services Group. . . .In a case involving an errors and omissions policy written by Pacific Employers Insurance Co., a panel of the California Court of Appeal for the first time held that the **claims-reported provision of a claims-made insurance policy** clearly requires that a claim be made against the policyholder and reported to the insurer during the policy period to obtain coverage. The ruling earlier this month establishes the law in California on the claims-reported provision. . . .An employer cannot offer workers **early-retirement packages** without the consent of the employees' union, the U.S. Circuit Court of Appeals for the District of Columbia ruled last week. . . .Rhode Island Gov. Edward D. DiPrete July 11 signed a **work comp reform package** that overhauls administrative procedures, establishes a competitive state work comp fund and reduces certain benefits. The law takes effect Sept. 1. . . .**Voter Revolt**, sponsor of California's Proposition 103, is trying to collect 600,000 signatures to qualify for the 1992 ballot an initiative that calls for eliminating the commercial auto insurance market in California if auto insurers do not roll back rates to 20% below November 1987 levels and if more than 15% of drivers remain uninsured by September 1993. The initiative would set up a non-profit state auto insurance fund (*BI*, Dec. 25, 1989). The group has until Dec. 13 to collect the signatures. . . .**Maryland Casualty Co.** will appeal a state appellate court decision that it is liable for property damage to a condominium complex that was caused by subcontractors working for policyholders DMF Construction Inc. of San Diego and the condominium developers (*BI*, July 16). . . .Cayman Islands Superintendent of Insurance Gilbert Connolly has revoked the license of captive manager **Insurance Management Services**, whose active captives had already left the firm. IMS' license was suspended earlier this year after "financial irregularities" were discovered (*BI*, April 2). A police investigation continues. . . .J. Patrick Gallagher has been named president and chief executive officer of broker **Arthur J. Gallagher & Co.** of Rolling Meadows, Ill., succeeding Robert E. Gallagher, his uncle, who was named chairman. Executive Vp John P. Gallagher was named vice chairman. . . .Court-appointed administrators for **London United Investments P.L.C.** will outline their plans for the company at a creditors meeting Wednesday in London. . . .The U.S. Bankruptcy Court in Santa Ana, Calif., last week approved **Maxicare Health Plans Inc.'s** reorganization plan and continued an injunction that prevents doctors and hospitals from billing Maxicare members for debts owed by the company. Maxicare creditors and shareholders will receive $129.3 million in cash, $67 million in 10-year 13.5% notes and common stock and warrants (*BI*, Oct. 30, 1989). The reorganization plan is expected to take effect this fall. . . .The permissible level of **asbestos exposure** would be halved to 0.1 fibers per cubic centimeter for general industry and construction workers under a new Labor Department proposal.

New Hampshire

Continued from page 2

state Labor Commissioner Richard Flynn. "However, the judicial system has imposed itself over the worker compensation system, and the administrative system has been lost."

The new claims appeals process is designed to eliminate the delays, which increase the expense of litigating claims, he said.

"In our review, it wasn't necessarily the benefits structure that was contributing to the high cost in the system, but rather the breakdown in dispute solution and the increase in claims going to court," agreed Peter Burton, director of government, consumer and industry affairs in the New England region of the National Council on Compensation Insurance, which participated on the governor's task force.

Employees have used the threat of an appeal to Superior Court to force lump-sum settlements from insurers and self-insurers.

Insurers and self-insurers would rather settle for amounts that exceed benefit levels now than pay for a more expensive trial, Mr. Burton said.

But, the NCCI stresses that savings as a result of the workers comp reforms are not so clear. "There exists no economic models to show what kind of cost savings will result from administrative changes," Mr. Burton said.

"Technically" the law should help reduce workers comp costs, said Martin Gross, general counsel in Concord for the American Insurance Assn. "It tightens up the law without detracting from the benefits. Claims can be dealt with faster, resolved more quickly and care providers will have to be more circumspect with their charges."

Workers comp reform was necessary for many employers to survive in the state, said Katharine Eneguess, director of human resources and policy at the Business & Industry Assn. in Concord, which also was represented on the task force.

Mark S. MacKenzie, president of the New Hampshire AFL-CIO, is concerned that the new claims appeals board will be chosen from a list of candidates selected by the Labor Department, which remains as the first step in resolving claim disputes under the new law.

But, Mr. MacKenzie acknowledges that the sluggishness of the current workers comp claims appeal system is a serious problem.

"There are delays, claims aren't paid on time, and it can be very frustrating for an injured person who has been waiting for weeks for a claim to come through," he said.

Under the de novo system, workers comp claim decisions by the Labor Department could be appealed to the state's Superior court. Parties seeking an appeal could request either a bench or jury trial. The Labor Department estimates that 3%, or about 2,000, of its decisions are disputed annually.

The new law will require all disputed claims to be decided by the nine-member appeals board. The governor and his executive panel will select the board members from a list of 18 candidates submitted by the Labor Department.

Hearing dates must be scheduled within six weeks after an appeal is filed.

In addition, the law "discourages" continuances by requiring parties seeking a continuance to file a request with the board at least seven days before the scheduled hearing.

The board's decisions can be appealed only on a point of law to the state's Supreme Court, which can decline to hear the case.

Trial attorneys oppose the new appeal process, said Leslie C. Nixon, treasurer of the New Hampshire Trial Lawyers Assn. and a personal injury and workers compensation attorney with Nixon, Hall, & Hess in Manchester.

The judges who now hear the appeals are impartial because they are appointed for life and are not as susceptible to political or economic pressures, she said.

"The current system is fair, and I have concerns that the new system will not be," she said.

The new appeals process also further burdens an already overburdened Labor Department with yet another administrative process, Ms. Nixon said.

The problem with the state's workers comp system is not the claims appeals process but the slow payment of medical benefits by some insurers, she maintains.

Mr. Flynn agreed that much of the workers comp claim litigation stems from claimants frustrated by insurers that are slow to notify whether claims are compensable and medical care providers that delay in providing medical records for claims disputes.

"Claimants are being held up for long periods of time, and the longer they are held up, the more antagonistic they become," he said.

Chapter 254 has increased civil penalties to $2,500 a day for insurers that fail to notify a worker within 21 days after a claim is filed whether it is compensable.

In addition, insurers can be fined $2,500 per incident if the Labor Department finds that they have a history of late notification.

Medical providers can be fined up to $2,500 for each incident of failing to provide medical records for claim disputes on time. Previously, the civil penalty against insurers was $25 a day; medical providers were not subject to fines.

Chapter 254 also is tackling rising workers comp medical costs.

The governor's task force found that workers comp medical costs in New Hampshire were 10% higher than in California and 20% higher than in New York, Mr. Flynn said.

Chapter 254 calls for establishing a fee schedule for maximum reimbursement of charges by medical care providers starting in 1993. The schedule will be developed by a seven-member advisory council consisting of:

- The labor commissioner or his appointee.
- The insurance commissioner or his appointee.
- One representative each from the state House and Senate.
- One representative each from the business, labor and insurance communities chosen by the governor and his executive council from a list submitted by the labor commissioner.

However, Ms. Nixon is concerned that adopting the schedule could make finding medical care difficult for injured workers.

"The fees will be set so low and the red tape will be so much that if the doctor sees that you are a workers compensation patient, he won't take you," she predicted.

Also under Chapter 254, medical care providers can be fined up to $2,500 for billing employers or employees for charges not reimbursed by workers comp insurers under the new medical fees schedule, overbilling for services provided or providing excessive medical care.

Chapter 254 also requires workers comp medical care providers effective immediately to use the American Medical Assn.'s guidelines to determine the extent of an injured worker's permanent disability.

"You don't have that fluctuation in permanent disability evaluations" using the AMA guidelines, Mr. Flynn said.

Because of this provision, the Insurance Department reduced the workers comp insurance rate increase it just approved to 9.3% from 11%, said David Nichols, assistant insurance commissioner for the state Insurance Department.

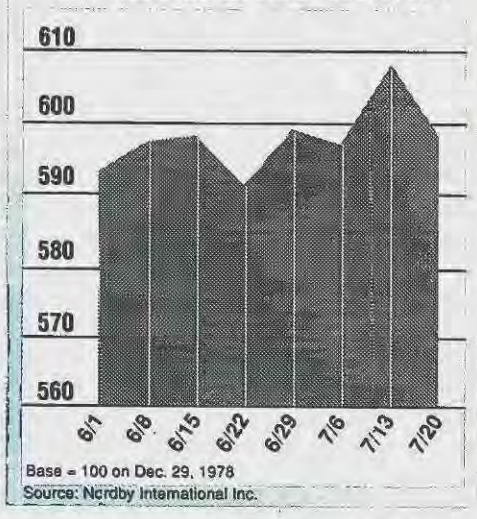
In addition, under the new law:

- Employers with 10 or more employees must annually file written safety programs with the Department of Labor.

The programs must include specific rules and regulations regarding worker safety, as well as a process for warning, suspending and terminating workers who violate the program.

- Injured workers must be unable to work for 14 days before they are eligible for full lost wage benefits. Injured workers who are unable to work for 13 or fewer days will not be compensated for the first three days of work they missed. Previously, injured workers had to be to unable to work seven days before they were eligible for full lost wage benefits.
- Injured workers are ineligible for benefits if they were under the influence of alcohol or drugs when injured. This provision does not apply to workers injured while taking prescription drugs properly or if the employer knew they were under the influence of alcohol or drugs when they were injured. ■

BI Insurance Index



Insurance industry stocks dropped slightly last week, as the *Business Insurance* Index fell 1.57 points to 598.52 on July 20, from 608.09 on July 13. Advancing issues were led by Hilb, Rogal & Hamilton Co., up 12.28%; Safeguard Health Enterprises, up 7.14%; and Statesman Group Inc., up 6.45%. Declining issues followed Pacificare Health System, down 10.31%; Belvedere Corp., down 9.68; and United Healthcare Corp., down 9.09%. The most active issue during the week was Sears, Roebuck & Co. (Allstate), 3.96 million shares traded. The *BI* Index fell 0.26% for the week; the Standard & Poor's 500 fell 0.42%; the Dow Jones 30 Industrials dropped 0.02%; and the New York Stock Exchange Composite lost 0.66%.

British Issues

July 20 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Comml Union	521	24.0	28.7	5.5	524—519	
Genl Accident	531	16.2	33.4	6.3	542—531	
Gdn Royal Exch	233	20.4	15.3	6.6	238—233	
Royal	500	26.9	34.0	6.8	506—497	
Sun Alliance	344	12.6	16.7	4.8	347—342	
Brokers						
Bradstock	251	17.7	10.0	4.0	251—251	
CE Heath	497	14.7	34.5	6.9	499—497	
Hogg Group	165	10.9	9.7	5.9	166—165	
Lloyd Thompson	314	19.6	9.7	3.1	314—314	
PWS Holdings	82	12.8	3.3	4.0	84—82	
Sedgwick Grp	224	16.9	16.0	7.1	237—224	
Steel Brrl Jones	275	16.7	14.7	5.3	279—275	
Willis Faber	234	14.7	16.0	6.8	238—231	

Source: Philip Olsen, Insurance Industry Specialist London

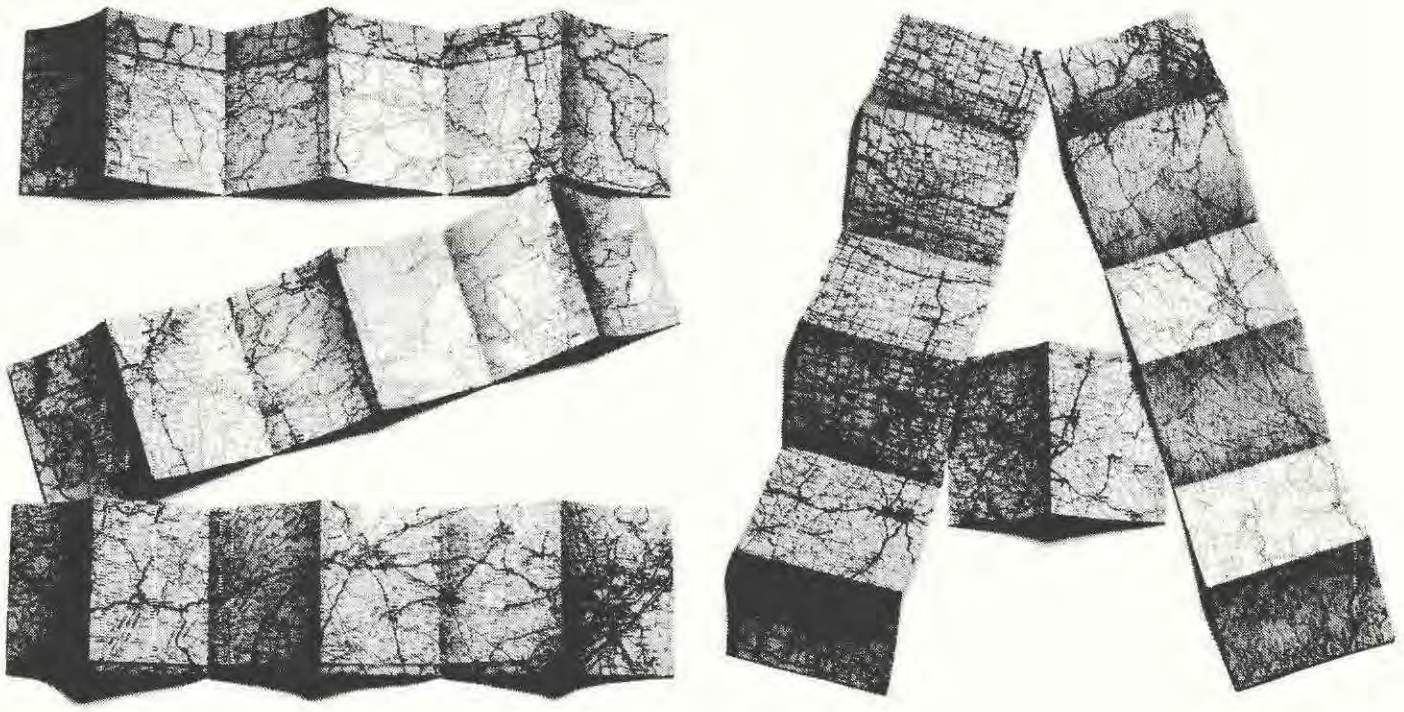
BI Industry Stock Report

JULY 16, 1990 THROUGH JULY 20, 1990

		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
BROKERS												
Alexander & Alexander	NYS	23.00	0.55	-26.98	34.00	22.75	136	1.00	4.35	18	9.18	2.51
Corroon & Black	NYS	30.75	-1.60	-19.61	41.00	28.50	244	1.36	4.42	16	12.73	2.42
Gallagher Arthur J. & Co.	NYS	22.38	-1.65	-9.60	26.50	19.88	8	0.60	2.68	17	5.33	4.20
Frank B. Hall	NYS	3.13	-3.85	4.17	4.38	2.50	34	0.00	0.00	-2	-2.80	-1.12
Hilb, Rogal & Hamilton	OTC	16.00	12.28	-14.09	20.63	12.50	181	0.28	1.75	22	4.60	3.48
Marsh & McLennan	NYS	74.63	-2.45	-4.33	89.75	66.00	294	2.60	3.48	18	10.56	7.07
Poe & Associates	OTC	11.13	-7.29	-16.04	13.00	8.00	3	0.40	3.60	14	1.93	5.76
BROKERS	AVERAGE		-0.6	-12.4					2.9	15		
CONGLOMERATES & HOLDING COMPANIES												
Berkley W.R. Corp.	OTC	42.75	1.18	2.70	46.50	33.50	88	0.44	1.03	9	25.06	1.71
Berkshire Hathaway Inc.	NYS	7150.00	-2.05	-17.10	8900.00	5675.00	0	0.00	0.00	-24	2869.00	2.49
ITT (Hartford Group)	NYS	58.25	-0.64	-2.71	64.50	51.38	939	1.60	2.75	8	56.33	1.03
Sears (Allstate)	NYS	34.50	0.73	-10.97	47.25	33.50	3964	2.00	5.80	9	37.75	0.91
CONGLOMERATES	AVERAGE		-0.2	-7.0					2.4	1		
INSURERS/REINSURERS												
Aetna Life & Casualty	NYS	52.00	-2.58	-10.34	62.50	45.25	862	2.76	5.31	9	58.11	0.89
Ambase Corp.	NYS	6.38	-5.56	-49.50	16.38	5.75	321	0.00	0.00	8	29.08	0.22
American General	NYS	48.13	1.85	46.95	50.63	28.13	1400	3.20	6.65	14	34.68	1.39
American Heritage	NYS	22.00	0.00	-22.81	24.63	19.75	1	1.00	4.55	11	22.60	0.97
American Indemnity/Fin'l	OTC	5.00	5.26	-37.50	12.25	4.25	3	0.08	1.60	-1	17.38	0.29
American International	NYS	95.00	0.40	-9.95	112.00	86.25	1988	0.52	0.55	11	41.92	2.27
Aon Corp.	NYS	36.50	-6.11	-13.86	43.25	33.38	309	1.52	4.16	10	19.62	1.86
Argonaut Group	OTC	77.00	0.00	11.80	78.00	57.50	13	1.60	2.08	9	36.83	2.09
AVEMCO Corp.	NYS	28.50	-5.00	16.92	30.13	20.38	23	0.40	1.40	21	9.52	2.99
Baldwin & Lyons Inc.	OTC	21.38	0.59	-0.58	24.00	18.88	40	0.28	1.31	7	20.80	1.03
Belvedere Corp.	ASE	3.50	-9.68	-36.36	5.63	3.38	21	0.04	1.14	-4	8.03	0.44
Chandler Insurance	OTC	8.00	-7.25	-31.91	13.25	7.63	51	0.00	0.00	4	9.53	0.84
Chubb Corp.(s)	NYS	46.88	0.27	-51.11	51.38	35.00	954	1.32	2.82	9	55.49	0.84
CIGNA Corp.	NYS	48.50	-2.76	-19.50	66.75	45.25	563	3.04	6.27	11	66.64	0.73
CNA Financial Corp.	NYS	78.25	2.62	-21.75	108.75	68.25	101	0.00	0.00	9	54.87	1.43
Continental Corp.	NYS	27.63	-1.78	-11.95	38.63	25.75	474	2.60	9.41	11	41.36	0.67
Durham Corp.	OTC	29.00	-3.33	-5.69	34.75	28.00	6	0.92	3.17	14	26.32	1.10
Fund American Corp.	NYS	34.88	-1.06	-1.06	40.75	29.50	840	0.68	1.95	52	32.74	1.07
Fremont General Corp.	OTC	16.88	0.00	-16.15	22.50	14.38	341	0.80	4.74	7	19.09	0.88
Frontier Insurance Group	NYS	27.00	-2.70	45.95	33.00	14.13	214	0.00	0.00	12	7.29	3.70
General RE Corp.	NYS	85.50	0.44	-5.00	96.25	69.25	416	1.52	1.78	13	29.04	2.94
Hanover Insurance Co.	OTC	25.00	-1.48	-18.03	33.00	22.75	17	0.44	1.76	8	32.03	0.78
Harleysville Group	OTC	27.25	-0.46	-0.91	28.75	20.50	26	0.60	2.20	9	18.94	1.44
Hartford Steam Boiler	NYS	61.00	4.05	12.44	61.75	45.75	80	1.80	2.95	16	18.94	3.22
Kansas City Life Ins.	OTC	36.00	0.00	0.35	36.25	34.50	7	1.12	3.11	10	39.22	0.92
Kemper Corp.	NYS	42.00	1.51	-11.11	51.88	34.00	474	0.92	2.19	10	29.97	1.40
Lawrence Insurance Group	ASE	8.63	-1.43	21.05	9.13	6.50	2	0.36	4.17	15	4.40	1.96
Liberty Corp.	NYS	49.88	0.00	17.35	50.25	35.00	15	0.92	1.84	11	31.82	1.57
Lincoln National	NYS	53.88	-1.60	-11.68	62.88	51.38	125	2.60	4.83	10	49.19	1.10
NAC Re Corp.	OTC	33.75	-4.26	-6.90	41.00	28.00	126	0.20	0.59	15	22.81	1.48
Navigators Group	OTC	33.75	2.27	22.73	33.75	25.25	5	0.00	0.00	12	15.22	2.22
Nobel Insurance LTD.	OTC	3.25	0.00	62.50	3.75	1.50	4	0.00	0.00	-2	7.76	0.42
NWNL Companies	OTC	28.00	-5.49	-29.11	44.13	26.50	359	1.32	4.71	5	37.50	0.75
Ohio Casualty Corp.	OTC	41.50	-4.67	-13.09	52.50	34.75	202	2.32	5.59	11	33.30	1.25
Old Republic Int'l	OTC	24.50	-5.77	-4.39	29.00	21.13	179	0.72	2.94	6	30.70	0.80
Orion Capital Corp.	NYS	22.00	1.15	-5.38	28.50	18.38	42	0.92	4.18	7	19.72	1.12
Phoenix RE Corp.	OTC	11.25	4.65	-13.46	15.50	8.75	10	0.20	1.78	-16	12.99	0.87
Protective Life Corp.	OTC	12.75	-6.42	-10.53	16.00	10.88	102	0.68	5.33	8	14.54	0.88
Provident Life	OTC	23.13	-1.60	-10.63	30.13	19.00	123	0.80	3.46	7	23.24	1.00
Re Capital Corp.	ASE	14.13	0.00	-2.59	15.25	11.25	3	0.00	0.00	12	14.43	0.98
RLI Insurance Corp.	NYS	13.25	-1.85	49.30	14.75	6.88	41	0.40	3.02	7	12.42	1.07
St. Paul Companies	OTC	59.50	-1.24	-0.83	63.50	52.50	449	2.40	4.03	7	43.47	1.37
SAFECO Corp.	OTC	36.38	-1.36	-8.49	42.38	30.50	420	1.36	3.74	9	24.87	1.46
SCOR U.S. Corp.	NYS	10.63	3.66	-25.44	14.50	8.38	21	0.20	1.88	14	10.61	1.00
Seibels Bruce Group	OTC	9.50	-2.56	-12.64	13.50	8.75	299	0.80	8.42	-2	13.75	0.69
Selective Ins. Group	OTC	15.75	1.61	-17.65	20.25	15.50	215	1.04	6.60	5	15.72	1.00
Statesman Group Inc.	OTC	2.06	6.45	-24.98	3.31	1.88	78	0.16	7.76	4	4.19	0.49
Tokio Marine & Fire	OTC	46.13	0.27	-38.81	78.13	40.88	9	1.04	2.25	-	70.93	0.65
Torchmark Corp.	NYS	49.63	4.47	-13.32	58.75	42.75	272	1.40	2.82	12	13.23	3.75
Transamerica	NYS	38.63	-1.90	-13.45	48.00	33.75	330	1.92	4.97	9	34.63	1.12
Travelers Corp.	NYS	28.88	-0.43	-21.69	45.00	28.38	696	2.40	8.31	7	44.85	-
Trenwick Group Inc.	OTC	23.50	-6.47	-3.59	26.38	17.00	12	0.48	2.04	11	16.91	1.39
United Fire & Casualty	OTC	34.25	-2.14	3.79	35.00	30.50	3	1.20	3.50	10	22.56	1.52
USF&G Corp.	NYS	26.63	-1.39	-10.13	33.38	24.75	775	2.92	10.97	19	22.87	1.16
UNUM Corp.	NYS	53.00	-4.72	10.99	57.13	35.25	344	0.80	1.51	12	31.20	1.70
USLIFE Corp.	NYS	38.88	-5.18	-14.09	48.13	34.75	94	1.48	3.81	8	54.34	0.72
Washington National	NYS	21.50	-0.58	-23.89	29.13	19.50	17	1.08	5.02	80	32.90	0.65
USLICO Corp.	NYS	21.00	0.00	-11.58	25.25	20.63	46	1.00	4.76	8	27.73	0.76
Zenith National Ins.	NYS	14.88	-0.83	-20.67	21.50	13.50	34	0.88	5.92	8	13.81	1.08
INSURERS/REINSURERS	AVERAGE		-1.2	-7.4					3.5	10.9		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	OTC	15.75	-8.70	-25.88	26.38	14.00	342	0.00	0.00	13	3.54	4.45
HMO America Inc.	OTC	7.00	-1.75	-9.68	10.63	4.38	400	0.00	0.00	8	1.12	6.25
Pacificare Health Sys.	OTC	21.75	-10.31	-16.35	30.38	14.75	102	0.00	0.00	17	6.35	3.43
Safeguard Health Enter.	OTC	7.50	7.14	-11.76	12.50	5.13	230	0.00	0.00	12	2.99	2.51
Sierra Health Services	ASE	7.50	3.45	-15.49	9.63	5.50	195	0.00	0.00	13	0.62	12.10
United Healthcare Corp.	OTC	17.50	-9.09	42.86	20.13	7.88	726	0.00	0.00	22	0.34	51.47
United Medical Corp.	ASE	10.88	0.00	81.25	11.38	5.75	39	0.20	1.84	19	5.70	1.91
U.S. Healthcare	OTC	19.38	-11.93	35.96	22.25	9.63	0	0.36	1.86	26	3.07	6.31
HMOs	AVERAGE		-3.9	10.1					0.5	16		
ALL COMPANIES	AVERAGE		-1.4	-5.8					3.0	11		

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